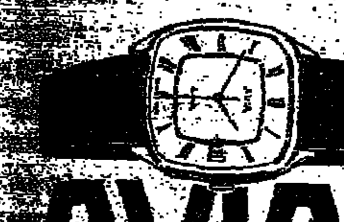

FINANCIAL TIMES

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NEWS SUMMARY

GENERAL

Driver on Leeds murder charge

Peter William Sutcliffe, aged 35, was remanded in custody for eight days at a special court in Dewsbury, West Yorkshire, charged with the murder on November 17 last year of Jacqueline Hill, aged 20, a Leeds University student.

Sutcliffe, a lorry driver of Garden Lane, Heaton, Bradford, was also charged with stealing two motor vehicle registration plates from a Brighouse motor dealer. Reporting restrictions were not lifted.

Extra police were drafted into Dewsbury to control a crowd of about 1,000 who had gathered outside the court. Police refused to disclose where Sutcliffe was being held.

P & O peace bid

P & O Ferries and union leaders will today discuss ways of restoring the Liverpool-Belfast service, which the company has closed for economic reasons. Protesting crewmen continued their sit-in on the Ulster Queen, while several P & O ships were blacked. Page 8

Rail services hit

A walk-out by 70 drivers protesting against new timetables caused widespread cancellations on British Rail's Southern Region. Further disruption is expected today. Parker appeal, Page 8

'No' to terrorists

The Italian Government rejected Red Brigades demands for access to the media in exchange for lifting a "death sentence" on a kidnapped judge, Sig. Giovanni D'Urso. Back Page

Iran retaliates

Iran launched a counter-offensive against Iraq, according to an open letter from the Iranian President, Mr. Bani-Sadr, to the Ayatollah Khomeini. Page 3

Tel Aviv row

The Begin Government has been rocked by allegations that the Israeli Minister of the Interior and Police tried to hold up an investigation into possible financial malpractices at his ministry. Page 3

Giscard trails

An opinion poll in the Paris newspaper, Le Quotidien, puts M. Francois Mitterrand, the Socialist leader, ahead of President Giscard for the forthcoming elections. Page 2

Travel curb plan

West Germany may have to restrain foreign tourist travel in an attempt to improve the balance of payments, Bonn's Technology Minister warned. Page 2

Landslide deaths

A landslide in Talaga, Jakarta, has killed 150 people and left 30,000 homeless. The area has been closed to non-residents to prevent the spread of cholera.

Jiang challenge

Chairman Mao's widow, Jiang Qing, challenged the court trying her for counter-revolutionary activities to have her publicly executed in Peking's main square.

Housing 'crisis'

Britain faces its most serious housing crisis for generations, Mr. Gerald Kaufman, Opposition spokesman on the Environment, said. Page 6

Briefly . . .

Pope told the Vatican's 40 drivers that cars deserved "constant and loving care, just like our souls."

Six people were killed and 20 hurt when a passenger train and locomotive collided north of Madrid.

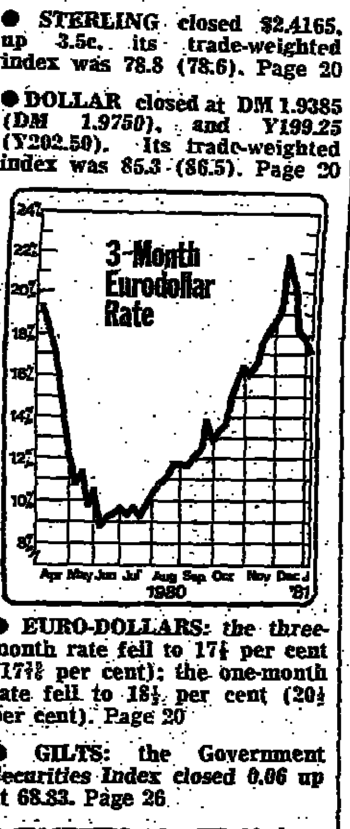
BUSINESS

Gold adds $10; copper up £14.75

● GOLD rose $10 in trading influenced by the weak dollar, to close at $599.50, its best level. Page 20. COPPER rallied strongly, with cash wirebars up £14.75 at £805.75 a tonne, and the three-months price up £22 at £828.75. Page 25

● STERLING closed $2.4165, up 3.5c. Its trade-weighted index was 78.8 (78.6). Page 20

● DOLLAR closed at DM 1.9385 (DM 1.9750), and Y199.25 (Y202.50). Its trade-weighted index was 85.3 (86.5). Page 20



● EURO-DOLLARS: the three-month rate fell to 17⅞ per cent (17⅞ per cent); the one-month rate fell to 18½ per cent (20¼ per cent). Page 20

● GILTS: the Government Securities Index closed 0.06 up at 68.83. Page 26

● EQUITIES: the FT 30-share index closed 2.4 down at 472.9. Page 26

● WALL STREET was up 15.96 near the close, at 988.74. Page 24

● UK RESERVES fell $713m last month to $27.48bn, largely because of repayment of public sector foreign debt. Back Page

● INDUSTRIAL AID totalling nearly £10m has been allocated by the Government to its public purchasing policy. Back Page; feature, Page 16

● MACHINE TOOL exports rose nearly 30 per cent in 1980 to £280-£290m against £223m in 1979. Page 6

● C.H. INDUSTRIALS was revealed as the new joint controller of Aston Martin, the luxury car maker. Page 7

● TRADES UNIONS' legal immunities will not be threatened directly by the imminent Green Paper, which will make no recommendations, but will include ideas for further restricting lawful industrial action. Back Page

● WELSH TINPLATE workers asked the British Steel Corporation to reconsider redundancy proposals in exchange for a voluntary pay freeze. Page 8; aid call for special steels, Page 6

● INDONESIAN Trade Minister Radius Prawiro and UK Trade Secretary John Nott will meet in Jakarta to try to end a dispute over textiles. Page 4

● FIRST PENNSYLVANIA Corporation agreed to pay $11.15m (£4.61m) in settlement of actions brought by shareholders.

● NEDLLOYD, Holland's major shipping group, said it will bid Fl 36.7m (£7.32m) for the KNSM line. Page 22

● GRATTAN WAREHOUSES mail order group warned that its final dividend will be "substantially reduced." Page 18; Lex, Back Page

● DALGETY bought out its minority partners in flour miller Spillers French for £13.12m. Page 18; Lex, Back Page

● WARD WHITE, the footwear group, will not now bid for K Shoes, for which C. J. Clark Group has offered £22.4m. Page 18

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES:		Sainsbury (J.)	387 + 20
Exch. 10pc 1983	£92¾ + ⅛	Stylo Shoes	145 + 10
Treas. 11¾pc 1991	£87⅛ + ¼	New Court Nat.	92 + 8
A. B. Electronic	132 + 6	Strata Oil	202 + 20
Avana	245 + 10	Central Pacific Minerals	410 + 20
Avon Rubber	90 + 8	Haoma Gold	168 + 24
Bakers Household Stores	97 + 7	Hartebeest	£35 + 1¼
Carrington Viyella	11 + 1½	North West Mining	122 + 10
Elliott (B.)	182 + 14	Ocean Resources	17 + 3
Esperanza	138 + 9	Randfontein Estates	£39¼ + 2
Hawley Leisure	48 + 3	Venterspost	603 + 58
Home Charm	96 + 5	**FALLS:**	
Kwik Save	172 + 7	Bowater	180 − 5
M. and G. Hldgs.	276 + 8	GEC	612 − 8
May and Hassell	90 + 4	Grattan Warehouses	60 − 6
Pritchard Services	124 + 4	K Shoes	93 − 3
Reardon Smith	122 + 7	Mining Supplies	118 − 10
Saga Holidays	245 + 7	Meyer (M. L.)	79 − 7
Somportex	450 + 20		

MRS. THATCHER RESHUFFLES HER CABINET

Stevas out, Brittan in as PM stands by strategy

BY RICHARD EVANS, LOBBY EDITOR

THE PRIME MINISTER last night announced ministerial changes, the first since coming to power in May 1979, that showed her determination to maintain her central economic strategy. They were also seen as a warning to her critics in the Cabinet.

Sir Geoffrey Howe, Chancellor of the Exchequer, and Sir Keith Joseph, Industry Secretary, are to retain their key roles for the foreseeable future, and other critical jobs are to be taken over by advocates of the market economy and monetarism.

Mr. Leon Brittan, one of the most promising middle-rank ministers, enters the Cabinet as Chief Secretary to the Treasury and as support for Sir Geoffrey Howe.

This was seen as an attempt to broaden the range of ministers at the Treasury following the battering it received in the recent Cabinet round of public expenditure cuts.

Mr. John Biffen, the former Chief Secretary, becomes Trade Secretary in place of Mr. John Nott, who takes over Defence.

Mr. Francis Pym moves from Defence to become Chancellor of the Duchy of Lancaster and Leader of the Commons. He displaces Mr. Norman St. John Stevas, the major casualty

Also out of the Cabinet is Mr. Angus Maude, former Paymaster-General, who announced to Mrs. Thatcher some months ago that he was anxious to relinquish his responsibilities.

Mr. Maude is to receive a knighthood.

The other Ministers to lose their jobs are: Mr. Reg Prentice, Minister of State for Social Security, who has resigned on health grounds; Lord Strathcona, Minister of State (Defence); Mr. James Lester, Parliamentary Under-Secretary (Employment); and Mr. Marcus Fox, Parliamentary Under-Secretary (Environment).

Apart from Mr. Brittan, the other new member of the Cabinet is Mr. Norman Fowler, who retains responsibility for Transport.

The sacking of Mr. Stevas, who was Minister for the Arts as well as Leader of the Commons, will be seen as a sharp warning to Mrs. Thatcher's critics in the Cabinet. Mr. Stevas, as well as having a mixed record as Leader during a very arduous first session, made little attempt to hide his disagreement with the central direction of the Government's economic strategy.

The reshuffle has two elements of significance for the future. It shows in the appointments of Mr. Brittan, Mr. Biffen and Mr. Nott the Prime Minister's determination in the face of growing opposition to hold her course, and it fires a warning shot across the bows of the so-called "wets" in the Cabinet.

The changes came as a considerable surprise at Westminster, not only to ministers and MPs but to people working closely with Mrs. Thatcher. The supposition had been that the Prime Minister would wait until the spring or summer—after the budget—before deciding whether to have a reshuffle.

Her move so relatively early in the new session could show anxiety at the growing pressures now facing the Government over unemployment and the deepening economic recession.

The nature of the changes suggests she intends to signal to industry, to Conservative MPs and to the country at large her determination not to be forced into a U-turn or compromises.

Given the importance defence has within the Conservative Party, Mr. Pym's move will be regarded as a sideways one at best, rather than promotion. But in his new role Mr. Pym will co-ordinate the Government's information policy, and this is seen as of major importance by the Prime Minister. There has been growing criticism within the Tory Party that the Government has been let down by its failure to get its policies across.

Mr. Pym's move and his replacement by Mr. Nott could mean the re-opening of the controversy over Britain's defence contribution to NATO. Mr. Pym fought ferociously to maintain it at 3 per cent, but Mr. Nott has been strongly in favour of cuts over the whole field of public expenditure, including, if necessary, defence.

Mr. Nott's new role is seen as a major promotion, as is that of Mr. Biffen. They are both among the most loyal of Mrs. Thatcher's senior ministers.

Among the more junior changes, Mr. Patrick Mayhew, QC, moves from Employment to become Minister of State at the Home Office, Mr. Kenneth Baker comes from the back-benches and Mr. Norman Tebbit from the Department of Trade to become Ministers of State for Industry.

Mr. Barney Hayhoe is the new Minister of State at the Civil Service Department, Lord Trenchard Minister of State for Defence, Mr. Adam Butler Minister of State for Northern Ireland, Mr. Hugh Rossi Minister of State for Social Security, and Mr. Paul Channon Minister of State for Education, with responsibility for the Arts.

Poland to seek more Western aid

BY OUR FOREIGN STAFF

POLAND is to try once again for additional financial aid from the West when Polish and Western Government officials meet in Paris in mid-January.

The decision comes in the wake of Western commercial banks' reluctance to extend further credit to Poland without some form of government guarantee.

Bankers are sceptical about official Polish balance-of-payments projections, and estimate that servicing the country's total foreign debt of $24bn will require $8bn-$9bn this year.

A new DM 300m ($152m) credit line to Poland, which the West German Government has confirmed it intends to guarantee, is considerably below the DM 700m ($354m) which the Poles are believed to have requested.

The meeting later this month follows a two-day pre-Christmas exploratory session at which Polish officials outlined their financing needs to West European, U.S. and Japanese Government officials.

Poland originally sought a series of bilateral government-to-government arrangements for the provision of credit guarantees for essential imports and additional finance to cover completion of existing investment projects.

This bilateral approach subsequently developed into a multilateral format both through the EEC and through the Paris meeting. This was hosted by the French Ministry of Finance and followed an earlier more restricted meeting.

On December 16 EEC members agreed to supply Poland with foodstuffs "at favourable prices." The overall package agreed is worth between 200m and 250m European currency units ($260m-$325m).

The financial and other arrangements are now being finalised with the individual member countries. The UK, for example, is to supply some 175,000 tons of grain, together with some sugar and butter altogether worth around £20m ($47.6m). Finance is being negotiated under the auspices of the Export Credit Guarantees Department.

The Poles are also believed to be seeking easier repayment terms and extended maturities on state guaranteed credits. In the UK case these total some £1.1bn ($2.6bn) over three times the current annual volume of UK exports to Poland which stood at £261m ($621m) over the first 10 months of last year.

The Poles are also anxious to secure further finance for several major investment projects involving British companies which have been heavily delayed and require substantial additional finance.

Such projects include the Massey Ferguson-Perkins Ursus tractor plant and the Lot airline terminal and hotel complex being built by Cementation in Warsaw and the PVC complex under construction at Wroclawek.

The West German unwillingness to guarantee the full sum requested by the Poles partially reflects Bonn's awareness of the reluctance of West German banks to add to their already heavy outstanding Polish commitments.

£ in New York

—	Jan. 2	Previous
Spot	$2.3800-3850	$2.3675-3925
1 month	1.10-1.30 pm	0.85-1.05 pm
3 months	1.85-2.05 pm	1.90-2.20 pm
12 months	2.40-2.80 pm	2.00-2.50 pm

Claims open on assets in China

BY ROSEMARY BURR

THE BRITISH Government has asked UK nationals with claims for compensation against China to register them by the middle of this year.

This follows indications from the Chinese Government that it will negotiate the repayment of assets seized during the Communist revolution of 1949. The assets involved are expected to amount to several hundred million pounds.

During protracted negotiations, however, the Chinese authorities have made clear that they will only entertain claims arising from the revolution. They will also be lodging substantial counter-claims for Chinese assets frozen in retaliation, and further negotiations are expected to be tough.

U.S. claims against China were settled as part of the normalisation of diplomatic relations in 1979. According to official U.S. estimates, American property and assets worth about $220m (£92.4m) were seized in 1949. Chinese assets frozen in the U.S. in retaliation amounted to about $100m.

Under the agreement, initialled in March 1979, China promised to pay $80m—$30m in October 1979 and the rest in five annual payments of $10m each. The U.S. agreed to return $80.5m to China.

China has also agreed to pay compensation in respect of certain Canadian claims. Other nations, including France, are likely to seek negotiations now that China has become a full member of the international community. The first sign of China's readiness to negotiate came during discussion in October 1979 when Lord Carrington, the Foreign Secretary, met Mr. Huang Hua, the Chinese Foreign Minister, during the visit of Chairman Hua Guofeng to London. This followed years of fruitless efforts to get talks started.

As a direct outcome of these talks the British public was yesterday invited to register claims against the Chinese Government with the Foreign Compensation Commission by July 5, 1981. Evidence to back up such claims should be submitted by January 5, 1982.

The FCC is an independent body funded by the Foreign and Commonwealth Office. Once compnsation has been agreed, the commission will be responsible for distributing the proceeds, after deducting its own expenses.

The outstanding claims cover losses on property, bonds issued by the Government denominated in Chinese currency, pensions and bank balances.

Once the claims have been submitted, the FCC will collate the information and pass it on to the Foreign Office. Details of all the claims will be presented to the Chinese Minister of Foreign Affairs by a member of the British Embassy in Peking, probably in mid-1982.

Specifically excluded from the list are about £60m worth of outstanding Chinese bonds denominated in sterling. Mr. Michel Gough, of the Council of Foreign Bond Holders, said yesterday the Foreign Office had informed the council that negotiations would include a settlement for outstanding holders of sterling Chinese bonds.

In addition, the UK Government is currently holding separate talks with the Chinese over losses on properties used as former consulates. The Government is believed to be seeking about £500,00

U.S. interest rates fall again

BY IAN HARGREAVES IN NEW YORK

WALL STREET responded with unrestrained enthusiasm yesterday to a further drop in U.S. interest rates and a report from the Federal Reserve of a sharper than expected fall in weekly money supply growth.

The bond market enjoyed its best rally for many weeks, and the Dow Jones industrial average rose sharply near the close in response to these developments.

Yen expected to strengthen. Page 3
Bid to amend Carter budget. Page 4
Money Markets. Page 23

Morgan Guaranty, the large New York bank, dropped its prime rate from 21.5 per cent to 20 per cent, where it joins several smaller banks which have been at that level for some days.

No other major banks joined Morgan at 20 per cent, meaning that the prime rate is split at 20 to 20.5 per cent.

Even more encouraging for the markets were the money supply figures for the week ended December 24, which is always an unpredictable period for seasonal reasons.

The Fed said that M1 A, the narrow definition of money supply, fell by $2.5bn to $383.8bn, while M1 B, the somewhat broader measure, was down by $2.8bn to $399.3bn.

These figures, although like all weekly money supply figures of only limited interest, at least set the Fed off to a good start in the new year. For the final quarter of 1980, the Central Bank struggled hard and with only partial success to keep money supply growth within desired targets.

Bond prices were up by 3½ points after the first two hours of trading and fell back only slightly later. Traders said there was heavy retail interest, suggesting that the rally may have some backbone.

The Treasury's newest 30-year bond, the 12¾ per cent issue due in 2010, was trading at 109½, up from 106¼ at the close on Friday.

Short term rates also fell sharply in the credit markets, with three-month Treasury Bills

Continued on Back Page

Libya transfers £31m bullion from London

BY DAVID MARSH

FURTHER evidence of investment buying of gold by oil-exporting states was provided yesterday by official British figures showing that Libya imported £31m-worth of bullion from the London gold market during November.

The transfer, which almost certainly represents gold bought for Libya's official reserves, follows clear indications in recent months that Indonesia, Iran, Iraq, and probably other oil producers have all been channelling part of their excess revenues into the metal.

The Libyan transfer, totalling 3.7 tonnes, took the country's total shipments from London during the first 11 months of last year to about 10 tonnes, worth £84m, according to UK Customs and Excise figures.

Tripoli maintains great secrecy over the deployment of its official reserves. Libya has made no appearance in the UK gold trade statistics since 1969 and 1970, when it imported about 20 tonnes of refined bullion from London.

The transfer at the end of last year does not necessarily mean that Libya was buying gold at that time. Bullion dealers believe it probably represented gold purchased earlier which had been stored in London and subsequently shifted home.

In past years oil exporting states, like other developing countries, have tended to keep at least part of their gold reserves in foreign depositaries, particularly in the vaults of the New York Federal Reserve Bank and the Bank of England.

But reluctance to leave too much gold abroad has grown since Iran had more than 50 tonnes of its gold reserves blocked and held at the New York Fed. as part of the U.S. asset freeze of November, 1979.

The U.S. action helped influence a number of oil exporting states last year, first to buy gold and then to transfer it home as a way of safeguarding overseas assets.

During 1980 Iran and Iraq in particular transported large amounts of bullion back to their own countries from the London and Zurich bullion centres.

It cannot be ruled out that the Libyan transfer is in some way connected with Iran, as Libya acted for Tehran in some of its financial dealings last year.

According to International Monetary Fund figures on countries' gold holdings, Libya's bullion reserves in July last year totalled about 83 tonnes, up from 76 tonnes at the end of 1979.

The IMF statistics are seldom, however, a reliable guide to some of the more secretive countries' gold reserves.

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For latest Share Index phone 01-246 8026

Socialist rival overtakes Giscard

By Terry Dodsworth in Paris

THE SOCIALIST candidate in this year's French presidential elections, M. Francoise Mitterrand, was given a clear lead for the first time over President Giscard d'Estaing in a leading public opinion poll published yesterday.

This sudden reversal of the trend in voting intentions comes after a long period in which President Giscard has dominated the polls, showing a substantial advance over all of his main rivals.

In the latest analysis, however —published in Le Quotidien, the Paris daily newspaper— M. Mitterrand has made a big bound forward to emerge with 51 per cent of second-round votes against President Giscard's 49 per cent.

Although the Socialist party greeted the poll cautiously yesterday, it will clearly take heart from these findings only four months before the first of the election's two ballots. Yesterday, M. Laurent Fabius, the party spokesman, laid the emphasis on the Socialists' argument that President Giscard could be beaten by a strong popular vote because of widespread disappointment in the seven years of his Government.

The poll indicates that M. Giscard's position, until recently regarded by many as virtually invulnerable has been undermined in the past few employment (now the voters' main preoccupation) and rapidly increasing prices.

These problems were exacerbated by further petrol price increases before Christmas when the poll was taken. Voters may also have been reacting unfavourably to forecasts of depressed economic conditions for at least the next six months.

At the same time, however, M. Mitterrand, who could only attract 42 per cent of the votes in a similar poll last November, appears to have benefited from his strategy of attracting Communist support in the second round.

Despite recent virulent attacks on the Socialists by the Communist party leadership, more than 50 per cent of Communist voters said they would switch their votes to M. Mitterrand if their candidate had to drop out after the first round.

The Christian Democrats are confident, the Government is bickering, writes **Jonathan Carr**, in Bonn

Bonn coalition in a post-election depression

THREE MONTHS after the West German general election, it would be easy to mistake the victors for the vanquished, and vice versa.

To judge from some of the long faces in Bonn, the government coalition of Social Democrats and liberal Free Democrats is deeply depressed by its return to office with an increased majority. There are even recurrent rumours about an impending resignation by Chancellor Helmut Schmidt and a collapse of the Social Democrat-Free Democrat alliance. No one would be more astonished than Herr Schmidt if these turned out to be correct. But just enough ill feeling now exists between the two partners to keep the rumours bubbling and gaining strength from the occasional official denials.

On the other hand, Dr. Helmut Kohl, leader of the main Opposition party, the Christian Democrats, has never looked better. Almost glowing with confidence, before Christmas he gave a strong parliamentary performance which many felt to be more convincing than that of Herr Schmidt.

Dr. Kohl's transformation is relatively easy to explain. In 1976, he led the combined union parties—the Christian Democrats and their Bavarian allies, the Christian Social Union—to within an ace of election victory, only to be elbowed aside as "chancellor candidate" in 1980 by the Christian Social Union chairman, Herr Franz Josef Strauss, who thought he could do better. In the event, Herr Strauss did markedly less well, and there are even signs of some dwindling enthusiasm for him within his own Bavarian camp. The Strauss challenge within the union thus seems over and its failure leaves Dr. Kohl, if anything, stronger than before. He has his rivals, but must none the less be the clear favourite to lead the union into the next general election in 1984. Dr. Kohl knows that perfectly well. That is why he is acting like a man who has been relieved of a heavy burden.

Must he even wait until 1984? The bickering in the Government alliance has raised speculation that the Free Democrats might be ready to abandon the Social Democrats and throw in their lot with Dr. Kohl. One or two straws of evidence are presented to back this up. The Free Democrat leader and Foreign Minister, Herr Hans Dietrich Genscher, has tossed to the Christian Democrats a top European Commission job which he might well have retained for his own party. (In fact, it proved hard to find a Christian Democrat who wanted the post.) And the Christian Democrats have gradually been modifying their tough line towards Eastern Europe. That would make agreement on foreign policy with the Free Democrats easier.

That said, there is one overwhelming reason for the Free Democrats not to jump ship, and why they would have to think very carefully about doing so in four years' time. As long as the Free Democrats are in coalition with the Social Democrats they can describe themselves as the party of "liberalism," a concept which is hard to define but which includes dedication to principles of tolerance and the market economy against threats (real or imagined) of state interference or control. This stood the party in good stead in the election, gaining the support of many voters sceptical about the policies of the Left but unable to bring themselves to support the Right-wing Herr Strauss. The Free Democrats would have much more trouble giving themselves a clear and independent image if they joined forces with Dr. Kohl, a man of the centre if ever there was one.

The Free Democrats thus have to use their room for manoeuvre with the Social Democrats to the very limit, even going so far as to raise the spectre of breaking the alliance on this or that "matter of principle." It did this cleverly in the post-election coalition negotiations, stressing that it saw its popular vote of 10.6 per cent (up from only 7.9 per cent in 1976) as a victory for, and a mandate from, the centre.

As a result, many in the Social Democratic Party (which gained just 0.3 per cent more of the vote than its 42.6 per cent four years earlier) feel out-manoeuvred and sour. They claim (with at least some justice) that traditional Free Democrat voters—such as there are—will emerge relatively unscathed from the 1981 federal budget squeeze. They have failed to win the solution they badly wanted in their dispute with the Free Democrats on co-determination in the steel industry. They have had to agree to a late increase in the 1981 defence budget, although they would much rather have seen the money go to development aid. To cap it all, they learn that the Government has given its approval (although it may yet change its mind) for West German submarines to be built for Chile's military leaders. Many in the party in the 1960s and early 1970s saw social democracy as something of a moral crusade. It has become much harder for them to believe that, in an era of economic stringency and in alliance with an increasingly artful partner.

Nor does the state of the Social Lemocrat leadership help remove the frustration. Herr Willy Brandt, the party chairman, often seems more interested in foreign affairs than domestic matters. Herr Egon Bahr, "grey eminence" of the Ostpolitik a decade ago, is giving up his post as party manager. Herr Herbert Wehner, the powerful parliamentary leader, is becoming even more irascible, has unexpectedly given up the chairmanship of the party social affairs committee, and may well retire during this legislative period. Chancellor Schmidt regularly lectures "the comrades" on current economic and foreign political difficulties, arguments which often intellectually convince but do not disperse the gloom. Many of the party faithful think Herr Schmidt actually prefers the Free Democrats to his own party's Left-wing, and they are not far wrong.

Apparently undeterred by the prevailing despondency, Herr Schmidt retreated over Christmas and the New Year to the Canary Islands and Morocco. He no doubt recalls that, in 1974, only 18 months after the euphoria of the finest election victory in the Social Democrats' history, the party was plunged into deep depression and Chancellor Willy Brandt had to step down. After the 1976 election, the Social Democrats and Free Democrats squabbled bitterly and there were rumours of a break. None the less, four years later the coalition swept back to office. The alliance has had its ups and downs, but in the end both partners have clung to one another and to governmental power with remarkable tenacity.

SAUDIS 'STILL WANT TO BUY WEAPONS'

SAUDI ARABIA has long been interested in buying West German weapons but has so far made no formal request, writes Jonathan Carr in Bonn.

The Government made this clear yesterday following a report in the weekly magazine Der Spiegel which said the Saudis wanted to buy many types of German arms, including Leopard-2 tanks.

An official declined to comment on that part of the article, saying that Chancellor Helmut Schmidt (left) was in favour of such sales—mainly because they could help safeguard a key source of Western oil.

But he noted that German arms exports outside the NATO area were not encouraged and were forbidden to "areas of tension." Any specific foreign request for weapons would be subject to approval by the Federal Security Council, a gathering of senior Ministers under the Chancellor's chairmanship.

While both Bonn and Riyadh would stand to gain from such a deal, Herr Schmidt has just run into strong criticism from members of his Social Democrat Party over Government approval for the construction of two submarines for Chile.

An arms accord with Saudi Arabia would not only be likely to arouse further strong opposition in the party. It could also raise difficulties in the sensitive West German-Israeli relationship.

Minister hints at restraints on foreign travel

BY STEWART FLEMING IN FRANKFURT

A WARNING that West Germany may have to consider restraining foreign travel in the interests of improving its balance of payments has come from Dr. Andreas von Bülow, the Technology Minister.

He was speaking on radio in the context of the need to contain the growth in oil and gas imports which could put an unsustainable burden on the country's foreign payments.

The rapid growth and sheer size of West Germany's current account deficit on foreign travel is attracting growing attention because of the pressures it is putting on the balance of payments and the country's difficulties in reducing the deficit.

In the first nine months of last year, West Germany ran a current deficit on foreign travel and tourism of DM 22.9bn (£5bn). The total current account deficit in this period was just over DM 25bn (£5.5bn).

What is unusual about Dr. Bülow's remarks, however, is that he should have broached in public what is politically a highly sensitive subject. It is hoped that the weakness of the D-mark and the resulting greater cost of foreign travel will tend to discourage West Germans from holidaying abroad this year.

Higher unemployment and weak growth in real incomes during 1981 are other factors pointing in the same direction.

The idea of intervening directly in the tourist business by, for example, special taxes or currency restrictions, is inimical to politicians in Bonn.

Finance and Economics Ministry officials yesterday described steps to restrain tourism as neighter useful nor necessary and dissociated themselves from Dr. von Bülow's remarks.

West Germany has probably the highest per capita expenditure on foreign travel of any industrialised country and intervention by the Government over freedom to travel would be highly unpopular. It would also go against the free market economic philosophy.

It is pointed out, too, that the revenues which some developing and developed countries obtain from West German tourists helps them buy West German exports.

Threat to aluminium output in Poland

By Christopher Bobinski in Warsaw

ALUMINIUM PRODUCTION in Poland could be cut by a quarter as a result of the decision to close, for environmental reasons, half of the capacity at the Skawina smelter near Cracow. The decision, taken by Mr. Jozef Gawewicz, Cracow's mayor, has been criticised by Mr. Zbigniew Szalajda, the Minister of Metallurgy.

Cracow, a medieval city in southern Poland and once the country's capital, suffers greatly from pollution and Mr. Gawewicz's move came after intense public pressure.

It means, however, that aluminium output this year could be reduced by 25 per cent and could cost Poland up to $50m if it is decided to make up the loss of production with imports from the West. Skawina produces half the country's 100,000 tonnes annual output of aluminium. According to Mr. Szalajda, another 90,000 tonnes are imported, 60 per cent of this from the Comecon countries and the rest for hard currency.

The plant has been due for modernisation for some years and 10 per cent of its productive capacity was closed down recently by the Ministry.

The Mayor of Cracow's order is based on an environmental protection law passed last year and, if kept in force, should mean that emission of hydrogen fluoride by the plant will be lowered by 60 per cent.

● An article published yesterday in Trybuna Ludu, the Polish Communist party newspaper, confirms that there is support among the armed forces for the moderate policies of Mr. Stanislaw Kania, the party leader. According to Trybuna Ludu, party meetings in the army are showing that "the army backs the Socialist renewal process. Speakers are expressing their satisfaction that conflicts are being resolved by political means."

It says the meetings show that the army is ready to "defend the country's independence, its frontiers and the Socialist system." The article also reveals that the army was affected by the strikes in the summer.

"News of the rightful protest of the working class against the deformations in the system provoked lively discussions among soldiers but they did not cause any breaks in training or delays in carrying out military tasks."

AP adds: Experts have determined that crude oil discovered in the Karlino region of northern Poland is of high quality and contains "no sulphur at all," the official PAP news agency reported yesterday. The samples have been taken from a depth of 2,779 meters.

A fire has been raging around the site for the past month despite round-the-clock efforts by Polish and other East block experts to cap a well.

Mr. Kania . . . support in the armed forces

Aeroflot fire protest to Dutch

By Charles Batchelor in Amsterdam

THE NETHERLANDS has agreed, following a protest from Moscow, to carry out an official investigation into the cause of a fire which destroyed the Amsterdam office of the Soviet airline Aeroflot.

The Soviet authorities have accused the Dutch of failing to take adequate safety measures to guarantee the safety of Soviet institutions and of tacitly allowing "criminal elements" to carry out their work, according to the Soviet news agency, Tass.

Dutch police said the fire, which gutted the airline's ground floor office in the centre of the city, was caused by an electrical fault. However, it occurred on December 30 at about the time that protests were being staged in several cities around the world to mark the first anniversary of the Soviet invasion of Afghanistan.

The Netherlands Foreign Ministry confirmed that Mr. Vasily Tolstikov, the Soviet ambassador in The Hague, had called on Sunday to discuss the issue. The Ministry said it had promised a inquiry to allay Soviet suspicions.

The Soviet Union has threatened the Netherlands with "negative consequences" if a similar event occurs again, Tass said. It recalled that a protest had been lodged last month following a demonstration in front of the Russian trade mission in Amsterdam.

The latest incident comes on top of a long-standing dispute between the two countries over a Soviet request for additional consular facilities in Rotterdam.

Mr. Roy Jenkins . . . last day at the head of the Commission's round table

Four years enough, says departing Jenkins

BY JOHN WYLES IN BRUSSELS

MR. ROY JENKINS bade a cheerful farewell to Brussels yesterday, claiming that, as president, he had seen the European Commission through "its most difficult period," but that four years as "Mr. Europe" was quite enough for any man.

At a valedictory news conference on his last day in office, Mr. Jenkins ranged widely in his comments but remained characteristically discreet and as enigmatic as ever about any possible future he may have in British politics.

He was glad that he had decided to accept the Commission presidency which he had occupied since January, 1977, he said. But he thought that anybody who stayed in the job longer than four years risked losing more in staleness than he would gain in wisdom.

This would not be the ase with Commissioners staying for longer than one term, said Mr Jenkins—an observation which will relieve eight of his colleagues who will begin their new leases of life tomorrow under the presidency of M. Gaston Thorn.

Three of them have toiled in the Commission vineyard since January, 1973, but the first to draw any medal for long service will be West Germany's Wilhelm Haferkamp who has been there since July, 1967.

Mr. Jenkins warmly praised his 12 colleagues as being a pleasure to work with. Together, he and they had seen the Commission through its most difficult period. Although they had all learned that the first priority was to win member governments' approval for Commission proposals, they had prevented the Commission becoming a mere secretariat, or lackey of member states.

He acknowledged that M. Thorn's Commission faced a "daunting task" in steering the Community through the budget restructuring exercise which begins later this year. But he was optimistic about the future and, in response to one question, asserted his belief that his time as president of the Commission would not constitute "a fatal disadvantage in British politics."

Brussels accounting criticised

BRUSSELS — The European Community's official auditors have strongly criticised the EEC Commission's accounting practices. In a report on the Commission's 1979 accounts, the auditors said they were not satisfied that the balance sheet "adequately reflects the assets and liabilities as required by the relevant financial regulations."

The 319-page report, made available yesterday, contains wide-ranging comments and criticisms on the accounts, with comments from the Commission, often contesting the auditors' view.

The Commission proposes and executes policy and is responsible for carrying out the budget, which this year will total some $30bn. One of its main arguments it that it does not have enough staff and resources to provide accounts which enter into the kind of detail demanded by the accountants.

● Mr. George Rallis, the Greek Prime Minister, promised his countrymen yesterday that membership of the European Community would not lead to price rises and said that Greece's net benefit from membership would eventually reach $700m a year.

At a ceremony in Athens marking Greece's entry as a full EEC member, Mr. Rallis said there would be a significant rise in the prices of agricultural or industrial products.

"The selling prices of Greek agricultural products have already approached Community prices and parity will follow naturally," he said.

Mr. Andreas Papandreou, of the Panhellenic Socialist Movement, and Mr. Charilaos Florakis, of the Moscow-line Greek Communist party, did not attend the ceremony. These two main opposition parties are opposed to full membership. Reuter

French aid to farmers questioned

By Larry Klinger in Brussels

THE EUROPEAN Commission has asked the French Government for a detailed explanation of its FFrs 4bn (£370m) plan to supplement farmers' incomes.

While the Commission yesterday emphasised that its inquiries were preliminary and were not the beginning of possible legal action against France, it was also pointed out that any national aids that affect intra-Community trade or common prices policy must have Commission approval.

The French action and Brussels' response could also involve two important wider considerations that will face the new Commission taking office this week.

One is the effect the run-up to this spring's French presidential election might have on Community relations. The other is the role national aid schemes might play in the expected revision this year of the common agricultural policy.

Commission officials were incensed early last month when Paris announced its scheme without having notified Brussels of its intentions. Some officials yesterday were still describing the French move as having "flouted the Commission's authority" and as having "given us no chance at all."

These officials are pressing for the full Commission to take up the issue formally this week, in spite of the fact that it will have only been installed for a few days.

The aid scheme fulfilled a promise made by the French Government to compensate farmers for loss of real income over the past year because of higher production costs outweighing increased deliveries. About half the funds will be in the form of direct subsidies to incomes and be paid in March, just ahead of the first presidential election ballot.

An immediate resolution of the issue is unlikely. The French must first reply to the Commission request for an explanation. Then, if the Commission decides the aids are not justified legally, it must notify the French, setting a deadline for their withdrawal. Only after this would the Commission have recourse to the European Court.

Martial law pledge

GENERAL Kenan Evren, the Turkish Head of State, said yesterday that no amount of domestic or international pressure would induce him to restore democracy until his four-month-old military administration had established law and order, Metin Munir writes from Ankara.

Tanker captain questioned over oil slick

By Fay Gjester in Oslo

BRITISH POLICE questioned the captain of a Greek oil tanker on Sunday during an international search for the source of an oil slick which has killed tens of thousands of sea birds along the west coast of Sweden and the eastern coast of Norway.

The captain of the 29,000-tonne Stylis was interview at Middlesbrough at the request of Norwegian police, and the British authorities took away samples from its tanks for comparison with oil fouling the outer Oslo Fjord.

Swedish coastguards, however, suggest that the birds died in an undisclosed oil spill from a platform in the North Sea. They point out that many of the dead birds were of distant water species not normally found close to shore and that protective helmets like those worn on oil rigs were washed up with the dead birds.

Why the tourists are flocking back to Switzerland

BY JOHN WICKS IN ZURICH

FOREIGN VISITORS returned in force to Switzerland in the past year. With the Swiss themselves holding their position as the keenest tourists within their own frontiers, the holiday industry expects a record season. Initial estimates suggest that visitors spent 73m nights in Switzerland in all types of accommodation, about 6 per cent more than in 1977, the previous peak year.

About 13 per cent more foreign custom is expected in 1980 than in 1979, with visitors from abroad spending something like SwFr 6.7bn (£1.1bn). And it looks as though the upward trend will continue this year. Most winter sports resorts are already reporting virtually full-capacity bookings for the 1980-81 season. It is hard to find a bed almost anywhere in the Grisons, the Valais or Vaud.

Favourable weather is not the only reason. While the record 1979-80 winter sports season was generally good for snow and sunshine, the summer was hardly one of the most inviting—yet business was the best for seven years.

Much more decisive has been the combination of a stable exchange rate and stable prices. The cost of accommodation (in Swiss francs) has risen by only a fraction over 5 per cent in the past three years, and that of restaurant food by only around 9 per cent. Since the currency has fallen against sterling by some 15.5 per cent over the past 12 months alone, Switzerland has become much cheaper for British tourists in particular.

All this is very welcome to the Swiss tourism business and to Berne. Tourism will bring in about SwFr 1.85bn this year. For all that Switzerland is a highly industrialised country, the holiday business is vital for extensive regions with few other means of support.

As good as the prospects seem, however, Swiss tourism has much to make up for. For much of the past decade the hotel business has been declining. By 1979, exchange rates and the lure of other countries had reduced foreign customs in Swiss hotels and spas to the lowest level in 18 years.

Even in 1980, the probable record number of tourists will not bring hotel occupancies back to the halcyon days of the early 1970s. In recent years, the real growth has been in what the Swiss call the *para-hotellerie* — chalets, holiday apartments, camping and caravan sites, hostels and the like.

By the end of 1979, Switzerland was able to accommodate some 1.08m visitors at any one time—but only about a quarter of them stayed in hotels.

Apart from competition from the *para-hotellerie*, hotels and to a certain extent, restaurants, have been suffering from a profits squeeze. Since the first voluntary price freeze of 1974, hoteliers and restaurateurs have been cautious about adding to the bill. As the past few years show, increases have generally been noticeably below even Switzerland's modest inflation rate. Most hotels have kept prices more or less unchanged in 1980, although certain adjustments appear likely this year.

The marked recovery awaited for the past year will not be enough to make tourism particularly lucrative. Many hotels and restaurants need investment, not only for more capacity but also for long-overdue modernisation.

Tourism facilities are also suffering from lack of manpower. The domestic labour market, with its 0.2 per cent unemployment, provides very few new staff for a sector renowned neither for particularly high pay nor for congenial hours or working conditions. At the same time, the federal authorities refuse to ease their extremely severe immigration restrictions.

The tourism business is still relatively optimistic, about the next couple of seasons at least. Swiss inflation should remain substantially below the international norm, there are no signs of the exchange rate taking off again and intensified publicity by the Swiss National Tourist Office seems to be paying off.

Given Switzerland's economy and standard of living, it can never become a cut-price holiday centre. Its only chance is to keep the cachet of "quality" destination while countering its image as a very expensive country. This will not prove easy, especially with the tourism trades' limited funds. For now, the greatest help will come from the rapidly increasing costs of holidays elsewhere.

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Yen expected to grow in strength against $

BY RICHARD C. HANSON IN TOKYO

MOST TOKYO foreign exchange experts now expect the yen to pass the Y200 to the dollar mark in the next few days and to rise towards Y190 to the dollar by the end of the month.

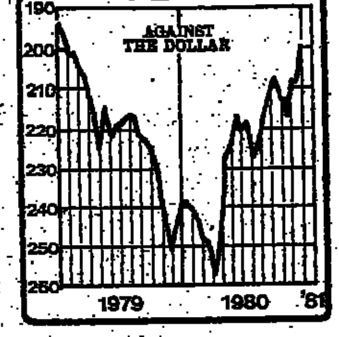
The remarkable strength shown by the yen in the closing days of 1980 appears likely to continue well into the new year, despite high U.S. interest rates and the latest oil price rises approved by the Organisation of Petroleum Exporting Countries.

Ignoring rather stiff intervention by the monetary authorities the yen began the new year in Tokyo by hitting a 22-month high. Trading centred around Y201.40 to the dollar compared with Y203 on the close of the last trading session of 1980.

The Bank of Japan is believed to have mopped up more than $500m yesterday and $300m last week. But the authorities appear more concerned with replenishing the nation's official dollar reserves than holding the line against any further appreciation.

This outlook for the yen is based on readings of Japan's economic "fundamentals" over the next few months, with particular attention to trends in the balance of payments.

Japan finished the calendar year 1980 with a current account deficit of about $12bn, considerably smaller than at first expected. Bank analysts expect the current account deficit to shrink further this year to less than half the 1980 figure.



These analysts also assume that Japan will continue to attract its fair share of stable long-term capital inflows. Last year a torrent of foreign funds, most of it from OPEC sources, was the main factor behind a sharp recovery in the overall payments balance and the strengthening of the Japanese currency.

Japan's overall economic performance this year, and hence the yen's, will far outshine competition in the West, bar any sudden disasters. This does not however, mean that the yen's movement will be all one way.

There is a general feeling that the dollar could recover to some extent later this month partly as a result of the support being given by the authorities, though they will be careful to avoid inviting charges of keeping the yen "cheap." Japan's normally poor trade performance during the month also should work against the yen.

Those willing to predict where the yen will be in two or three months, however, would not be surprised to see it stabilise between Y185 and Y190 per dollar. Reversals could set in later this spring if a stronger yen and weak overseas markets combine to cut into exports, while an expected recovery in domestic demand lifts imports.

But before that occurs it is quite possible the yen could again touch the record highs of before the second oil crisis, when the 180 to the dollar line was briefly crossed.

Mr. Rajai: message on an Iraqi shell

Rajai calls for offensive in Gulf war

By Terry Povey in Tehran

IRAN'S Prime Minister, Mr. Mohammed Ali Rajai, yesterday called for an offensive by the country's armed forces in the 15-week-old Gulf war with Iraq. Speaking at a rally attended by tens of thousands of people, Mr. Rajai made no reference to the issue of the U.S. hostages.

Early in the rally a message from a group of army officers serving on the front was delivered to the platform wrapped around an unexploded Iraqi shell.

Mr. Rajai made the slogan: "Death to those who sow divisions and to Saddam Hussein" (the Iraqi President) the keynote of his speech. In a clear reference to his political opponents inside Iran he called on "the experts, scientists and all those who believe that they can run the country better than us to come forward with positive proposals."

The Prime Minister admitted that the Government faced a number of problems of which the two most important were looking after refugees displaced by the war and importing the basic food and other needs of the country.

"We have to feed, clothe and house 1½m refugees at a cost of between $85m and $140m," he said. "And we have to secure the people's needs by importing despite the fact that the port of Khorramshahr is under occupation and the Imam Khomeini port is under threat."

The country needed calm but "counter-revolutionaries" were creating difficulties, said Mr. Rajai.

In a move clearly aimed at dispelling any notion of President Abolhassan Bani-Sadr as the man with a monopoly of support from regular army officers, the rally began with the message from the group of officers.

After pledging their support for Iran's religious leader, Ayatollah Khomeini, the officers said they were worried by the country's divisions. "At any moment, in the interest of the nation and on the orders of Ayatollah Khomeini, we are prepared to turn our guns and fight both dividers and the Iraqis."

Police row rocks the Begin Cabinet

BY DAVID LENNON IN TEL AVIV

THE BEGIN Government is being rocked by a new scandal over an alleged attempt by Dr. Josef Burg, Minister of the Interior and Police, to hold up a police investigation into possible financial malpractices at his ministry.

The storm broke after Dr. Burg summarily dismissed for insubordination Mr. Herzl Shamir, the Inspector-General of Police. Claiming he had been dismissed unfairly, the Inspector-General disclosed that last month Dr. Burg ordered him to stop an investigation into allegations that money had been illegally transferred by the Interior Ministry to religious institutions.

The row comes when procedures are well advanced to bring the Minister of Religious Affairs, Mr. Aharon Abuhatzeira to trial on charges of corruption. Moreover Mr. Yigal Hurvitz, the Finance Minister is threatening to resign and perhaps bring down the Government because of its reluctance to accept his tough budget proposals.

With its parliamentary majority reduced to the point where every disagreement between Ministers threatens collapse, the Begin Government can ill afford the police inquiry scandal if it is to serve out its full term until November.

Dr. Burg is head of the National Religious Party, which holds three coalition portfolios, including Religious Affairs. Before the latest scandal broke, many people in Israel had assumed that at least part of the reason for the Inspector-General's dismissal was the vigour with which he had allowed the police to pursue their investigation of Mr. Ahuhatzeira.

Dr. Burg: sacked a police chief

Dr. Burg has accused the former police chief of trying to blackmail him by saying that the Minister had ordered a cover-up of the Interior Ministry investigation. But pressure is building up in the Knesset for a parliamentary inquiry.

There is also increasing pressure from the local media for the toppling of a Government from which six Ministers have already resigned. Its opponents point out that the Begin administration has presided over an economic policy which gave the country world record inflation of over 135 per cent last year.

Jakarta increases oil subsidy by 84%

BY RICHARD COWPER IN JAKARTA

INDONESIA HAS unveiled an expansionary draft budget which features a moderate 25 per cent increase in development spending which reflects the country's excellent economic performance this year.

In what many are dubbing an "electioneering budget," Indonesia has, however, failed to come to grips with the huge increase in Government subsidies on domestic oil sales.

The plan, presented by President Suharto to Indonesia's Parliament yesterday, projects a 32 per cent increase in expenditure to 13.9 million million rupiah (£7bn) in the 1980-81 year. After being approved by Parliament, the budget will take effect from April 1.

The most disturbing aspect of the draft budget is the 84 per cent increase in the Government's oil subsidy.

With general elections coming in the spring of 1982, President Suharto made it clear there would be no increase in the domestic oil price during the 1981-82 financial year. The price of kerosene, used by the majority of the country for lighting and cooking, is one of the most sensitive political issues and the Government is clearly taking no chances.

But the effect on the economy of such a decision will be serious. As one economist put it: "They are subsidising consumption: encouraging a wasteful use of a precious resource; and spurring industries to base investment decisions on totally false assumptions about the cost of energy."

The Government will find it even harder to put up prices in 1982 when the general elections are held, and again in 1983 when Presidential elections are held. The oil subsidy alone next year will account for 20 per cent of total routine expenditure by the Government.

Elsewhere however, the budget was well received. Despite the normally cautious approach of the country's economic planners, Indonesia's Finance Minister appears to have decided to continue the quest for growth of around 7 to 8 per cent at the risk of a slightly increased inflation rate.

Distribution of revenues also continued to follow the premisses underlying the third five-year plan of attempting to distribute the fruits of development more equitably among Indonesia's 147m population. Allocations to education, transmigration and agriculture increased by over 25 per cent and Indonesia now seems set to meet its original target.

The 32 per cent increase in expenditure undoubtedly reflects a new confidence in the Indonesian economy and President Suharto spent some time in his speech to Parliament reflecting on last year's excellent performance. He said economic growth was 7 per cent in 1980, compared to 4.9 per cent the previous year.

Nkomo attacks takeover of newspapers

By Our Salisbury Correspondent

ZIMBABWE'S takeover of the country's main newspapers has reopened the split in the ruling coalition, with Mr. Joshua Nkomo, Home Affairs Minister, accusing the majority Zanu-PF party of trying to muzzle the press.

The Government announced at the weekend that it had established a Nigerian-funded mass media trust which had bought out the South African Argus group's 42 per cent controlling interest in the company operating the Herald, the Bulawayo Chronicle, the Sunday Mail, the Sunday News and the Umtali Post Weekly.

Mr. Nkomo, junior coalition partner and leader of the minority PF-ZAPU party, believes the move is part of a campaign to isolate him.

"This is probably my last free statement through our new media where the radio and television are already under the heel of ZANU-PF," Mr. Nkomo said in an interview in yesterday's Herald.

Mr. Nkomo's bitter remarks reflect his anxiety that ZANU-PF will run the Press much as it now controls state radio and broadcasting, giving prominent coverage to Mr. Robert Mugabe, the Prime Minister.

The Government announcement coincided with speculation about the timing of a reshuffle which Mr. Mugabe has said is imminent. ZANU-PF supporters have predicted that Mr. Nkomo will be demoted.

Two Ministers promoted in Singapore's Cabinet

BY KATHRYN DAVIES IN SINGAPORE

MR. LEE KUAN YEW, Singapore's Prime Minister, has announced sweeping changes in his Cabinet following last month's general election. Mr. Lee is giving two important portfolios to men regarded as rising stars in the ruling People's Action Party.

But in a surprise move Mr. Goh Chok Tong, entrusted with guilding Singapore through its so-called second industrial revolution, is to become Minister of Health.

His job as Minister for Trade and Industry will be taken over in June by Dr. Tony Tan, aged 40, a former general manager of the Overseas-Chinese Banking Corporation.

He was elected to Parliament in 1979 and became Minister of Education just over a year later. Dr. Tan has been concerned recently with overseeing the marriage of the republic's two universities.

The other major Cabinet change is in the Ministry of Labour. Mr. Ong Teng Cheong, 44, succeeds Mr. Ong Pang Boon. The Labour Ministry came under fire from the Prime Minister recently after the country's first major industrial dispute for more than three years. Mr. Lee blamed the Ministry for failing to deal with a go-slow by Singapore Airlines' pilots. Mr. Ong is a professional architect and has been in Parliament for the past eight years. He has been Minister for Communications since 1978.

Mr. Lee: chances for younger men

It is not clear why Mr. Goh Chok Tong is losing his job, although the changes are in line with Mr. Lee's policy of trying out younger politicians in a variety of ministerial posts. However, Mr. Goh is being moved sideways, if not downwards, while Singapore's industrial upgrading operation is in mid-stream.

One explanation for Dr. Tan's appointment to the Trade Ministry is that the Prime Minister feels he will be more able to cope with stormy weather if and when it comes. Dr. Tan is to take charge of the Singapore Budget in the 1982-83 fiscal year.

Egypt to raise spending on development

By Anthony McDermott in Cairo

EGYPT is to raise its development investment by 15 per cent to 3.68bn Egyptian pounds (£2.2bn) for the fiscal year 1981-82, which begins next July. According to the semi-official newspaper, Al-Ahram, this investment represents only the public sector share.

One of the changes introduced by the Government in the economic sector, under the responsibility of Dr. Abdel-Razzaq Abdel-Meguid, was the establishment of the National Investment Bank, as a channel for the Government's investment programme.

The bank had its first meeting last July and the 1981-82 investment plan could be the first in which it will play a full role.

The financing of the development programme—separated from the formal budget by Dr. Abdel-Meguid so that a theoretical surplus could be shown—will stem first from any surplus so created and from unused funds from the current fiscal year.

The rest, perhaps some 30 per cent, is expected to come from the domestic banking system and foreign aid.

AMERICAN NEWS

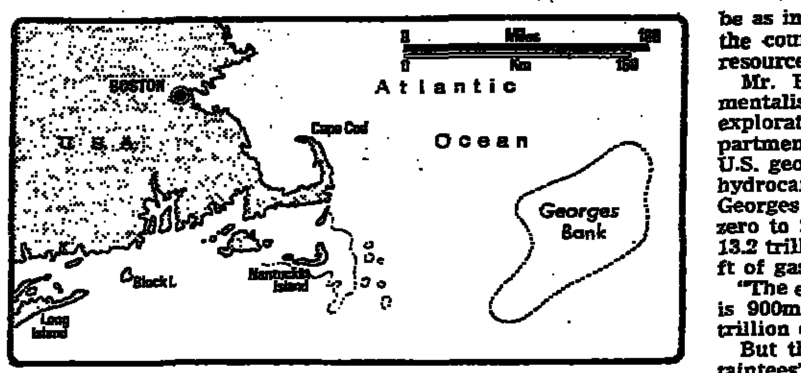
WORLD TRADE NEWS

COURT RULING ENDS LEGAL WRANGLE IN MASSACHUSETTS

Green light for oil exploration

BY PAUL BETTS IN NEW YORK

A COURT settlement reached between environmentalists, the U.S. Federal Government and the State of Massachusetts could new clear the way for oil companies to begin exploration for offshore oil and gas in the controversial Georges Bank area—one of the world's richest fishing grounds, which lies about 150 miles off Cape Cod.



The settlement reached during the Christmas holidays ends a bitter three-year dispute between the local fishing industry and environmentalists and the oil companies which had already bought offshore drillings rights in the area for more than $800m from the Federal Government.

The agreement, whereby exploration will be allowed to go ahead in return for greater Government commitments to protect the future of the fishing grounds, has now removed a major legal hurdle for the oil companies, but drilling is unlikely to begin immediately.

This is because of the protracted regulatory process involved before specific drilling permits can be granted.

But, some oil companies believe they will be able to start drilling sometime in the spring, while the more pessimistic ones suggest that drilling may only begin towards the end of this year or perhaps as late as 1982.

Under the terms of the agreement, the environmentalists, led by Mr. Francis Bellotti, Massachusetts Attorney-General, and the local fishing industry, claim they have won important concessions from the Federal Government.

These include a pledge from the Interior Department requiring "the best and safest technologies" to be used aboard oil rigs on Georges Bank, to prevent oil spills and other types of pollution which could endanger the fishing grounds.

At the same time, the Interior Department also promised these groups access to its environmental studies on Georges Bank and the possibility of having a say over what additional studies should be undertaken if oil and gas were found at commercially exploitable amounts.

The major oil companies with interests in the area—including Mobil, Exxon, Shell and Getty—have already field exploration plans for review by the authorities, in a move which indicates that they hope to begin drilling at some stage this year.

The main concern of the state of Massachusetts is that drilling could imperil the area's $1bn-a-year fishing industry and also the region's thriving $1.7bn-a-year tourist trade.

Opponents of exploration drilling in the area contend that current indications of the amount of oil and gas under Georges Bank are too small to risk endangering what they call a major food resource.

But the oil industry claims that the potential oil and gas resources at Georges Bank could be as important to the area and the country as the rich fishing resources.

Mr. Bill Berry, an environmentalist specialist in Shell Oil's exploration and production department, says that according to U.S. geological survey data, the hydrocarbon potential of the Georges Bank basin ranges from zero to 2.5bn barrels of oil and 13.2 trillion (million million) cu ft of gas.

"The estimated mean potential is 900m barrels of oil and 4.4 trillion cut ft of gas."

But there were "great uncertaintees" in the U.S. Geological Survey's resource estimates, he added. "Until the basin has been explored by drilling wells, the volume of hydrocaraon resources present is simply uncertain.

"I cannot overemphasise there is no way to find oil and gas other than by drilling exploratory wells. Thus, exploratory drilling on Georges Bank is essential to determine the actual magnitude of hydrocarbon resources."

Oil companies have also pointed out that the 63 leased tracts in the area account for only about 7 per cent of the overall annual fish catch. This, they claim, would mean that the effect of exploratory drilling on fishing is expected to be minimal.

The local fishing industry still have to be convinced

Bid to amend Carter budget may face delay

BY JUREK MARTIN, U.S. EDITOR, IN WASHINGTON

THE intention of Mr. Ronald Reagan's new Administration to amend speedily President Jimmy Carter's final budget may run into delays because many key sub-Cabinet-level appointments have yet to be made.

Mr. David Stockman, the Budget Director-designate, wants to be able to submit to Congress by early next month a basic tax-cutting package, with some outlines for reduced Government spending.

He has also said that he hopes to have ready by the end of February what he describes as a "fully-scrubbed" version of the Carter budget for the 1982 fiscal year, starting in October.

But such a process requires the participation of a good number of officials in various departments, the identity of whom is likely to remain a mystery for another couple of weeks.

Among them is the chairman of the President's Council of Economic Advisers, the other two members of the Council, as well as departmental Under and Assistant Secretaries, most notably the Treasury.

Traditionally, Cabinet Secretaries have enjoyed much freedom in naming their principal deputies. But Mr. Reagan is reported to want the ultimate say in who get which positions throughout the Government. As a result, various factions inside the Republican Party are continuing to press for their own candidates.

At the Treasury, for example, the "new Right" wing is lobbying for the selection of Mr. Lewis Lehrman, a retailing entrepreneur from New York, to be Number Two to Mr. Donald Regan.

At the Defence Department, whose increased spending demands will have a major influence on the composition of the budget, the 'enw Right" is trying to frustrate Mr. Caspar Weinberger's wishes to name Mr. Frank Carlucci as his deputy.

Mr. Carlucci, at present deputy director of the CIA, is an old associate of Mr. Weinberger but is perceiced by some as a Budget cutter much in the mould of the new Secretary.

At this stage, it appears that the Congressional budgetary experts are, if anything, further along in their planning than leaders of the new Administration.

Democrats prepare to tackle Haig

BY DAVID BUCHAN IN WASHINGTON

THE 97th U.S. Congress was ceremonially sworn in yesterday, as aides of Mr. Ronald Reagan, the President-elect, confidently predicted that members of the new Cabinet would be confirmed by the Senate in time to take their oaths of office just after the new President on January 20.

This, they hope, will leave Congress's decks clear for consideration of Mr. Reagan's tax and public expenditure cutting proposals. The economy, they forecast, will be Mr. Reagan's first preoccupation in office, and foreign policy will take second place, despite his early foray into this area, in his meeting yesterday with President Jose Lopez Portillo of Mexico.

Senate committees today begin their first order of business with the start of confirmation hearings on the Reagan Cabinet nominees, with some controversy sure to centre on the designation of Gen. Alexander Haig as Secretary of State, and, to a lesser extent, of Mr. James Watt to be Interior Secretary.

Though these two may get a rough ride from Democrats, now in a minority in the Senate, the historical odds are still that they will be confirmed, barring some unexpected disclosure. The Senate has only ever rejected eight Cabinet nominees.

In preliminary wrangling over the Haig confirmation hearings, which begin on Friday, President Carter has now agreed to authorise the national archives to start a search for White House tape recordings and documents of the Nixon and Ford era, sought by Senate Democrats.

Gen. Alexander Haig

The latter want these as ammunition to question the former NATO Commander and White House Chief of Staff on his role in the Watergate investigation, the Ford pardon of Mr. Richard Nixon, and aspects of the Indochina war of the early 1970s.

Exactly what documents Democrats on the Foreign Relations Committee can get their hands on may yet depend on whether former Presidents Nixon and Ford choose to invoke executive privilege to prevent their disclosure to the Legislature.

But Mr. Carter's qualified approval for the hand-over of specific material concerning Mr. Haig countermands the initial refusal of Dr. Zbigniew Brzezinski, his National Security Adviser, to meet the Senate Democrats' request.

For his part, Mr. Watt is likely to come under some scrutiny for his suitability as Interior Secretary, since he has made his reputation as a Colorado lawyer in fighting Interior Department and environmental regulations.

But once the confirmations are out of the way, the Reagan Administration expects to enjoy an extended "political honeymoon" with the new Congress, Mr. Max Friedersdorf, the chief Reagan Congressional liaison aide, said yesterday.

Democrats have a diminished but still a nominal majority of 50 seats in the House of Representatives, making it the first time since 1931 that control of the two houses has been split between the parties.

This could prove awkward for the Reagan Administration. But it clearly hopes to forge an alliance with conservative Democrats in the House.

Teachers go on strike in Bahamas

By Nicki Kelly in Nassau

TEACHERS in 181 Government schools throughout the Bahamas went on strike yesterday, demanding better pay and working conditions. Other members of the public service with similar grievances are threatening to do the same.

The strike, which closed schools for more than 50,000 students, follows a year of negotiations in which the Bahamas Teachers' Union requested a 20 per cent across-the-board pay increase, in line with the rise in living csots.

The Government is holding firm at 9 per cent for teachers at the lower end of the scale and 3 per cent for those at the top.

Mr. Darrell Rolle, Minister of Education, has claimed that the union's proposals would exceed $11m (£4.5m) over the period of the three-year contract demanded by the union, and could not be met without imposing additional taxes and curtailing capital development.

Mr. Leonard Archer, general secretary of the union, said it is prepared to stay on strike for as long as it takes to achieve its aims. Education annually commands the largest budget appropriations, estimated at $55m this year. Teachers' salaries account for 20 per cent of public service salaries.

Nott tries to end dispute over Indonesian textiles

BY PAUL CHEESRIGHT IN LONDON AND RICHARD COWPER IN JAKARTA

MR. JOHN NOTT, the Secretary for Trade, tonight flies to Jakarta in an attempt to end a six months' trade dispute which has threatened to lose the UK over £150m of textile orders from Indonesia.

He has been invited by Mr. Radius Prawiro, the Indonesian Trade Minister, who yesterday was cautiously optimistic that the talks might produce a compromise.

The dispute began in July when the EEC, at UK instigation, imposed additional quotas on Indonesian textile exports to the UK. Indonesia retaliated with measures which appear to have put orders worth £150m in jeopardy.

Most prominent among these was a contract for an £83m methanol plant for which Davy McKee Oil and Chemicals, the Davy Corporation unit, had a letter of intent. This looks likely to go to Lurgi of West Germany.

Mr. Prawiro noted that the decision to invite Mr. Nott came after talks between British and Indonesian officials in Jakarta. There has also been a delegation from the European Commission in the country.

On the British side there is some hope that Mr. Nott will be able to normalise commercial relations with Indonesia, although it is conceded that contracts lost are not likely to be restored.

Davy McKee yesterday was taking the attitude that until a contract has been signed and is effective with a competitor, then it still has a chance. But the company concedes that the chance of winning the methanol plant contract is becoming slimmer. It is getting late to restore the position, the company said.

The technical problem is to solve the difference between the EEC and Indonesia on the textile quotas. In this area it is suggested that the Indonesian Government is being less intransigent than during the talks which broke down last summer.

Discussions have reached the stage of trying to decide what the level of quotas should be for the last eight months of this year. Quotas have already been imposed for the first four months. But it is noted that

Mr. John Nott . . . talks in Jakarta

Indonesian acceptance of the need for quotas is itself a new departure.

Indonesian sales of trousers, shirts and blouses rose from 5,000 items in 1976 to 797,000 in 1979 and 2.5m in the first half of 1980. It was this sharp increase which prompted the EEC to take action on the UK's behalf.

Isuzu engine 'most fuel-efficient'

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

ISUZU, Japan's fifth-largest vehicle producer, claims to have developed a small car diesel engine which is more fuel-efficient than any in the world.

And, acording to reports from Japan yesterday, the engine is likely to be supplied to General Motors to use in the American group's super-mini car, code-named the "S" car, to be launched from the new Spanish plant in 1983.

GM owns 34 per cent of Isuzu, better known for its commercial vehicle production, and the Japanese concern will play a major role in the development of GM's "world car" programmes.

Starting this spring, Isuzu will begin supplying about 100,000 2-litre diesel engines for GM's Chevette in the U.S. The Chevette, the group's first "world car," is closely related to the new Kadette produced by the Opel subsidiary in Europe.

GM's second "world car," code-named the "J" car, will be assembled by Isuzu in Japan for Far East markets.

In the U.S., the "J" cars will replace the Monza-Sunbird-Skyhawk-Starfire range while in Europe they will take over from the Ascona-Cavalier range produced by Opel and Vauxhall.

In Japan yesterday, the economic daily newspaper Nihon Keizai Shimbun suggested that Isuzu would soon be sending a prototype of its newest diesel, one of 1.3 litres, to GM and that the U.S. group would almost certainly use it for the "S" car.

However, Isuzu officials said the company's role in the "S" car project was still indefinite.

The newspaper reported that Isuzu engineers had sharply reduced the noise and vibration problems which plague most small diesel engines and had produced a unit more fuel efficient than the Volkswagen Golf diesel, the current world leader among economic, small-car diesels.

India steel contract delayed

BY K. K. SHARMA IN NEW DELHI

A DECISION on whether Davy Corporation of Britain or Mannesman Demag of West Germany is to be awarded the contract to build an integrated steel plant at Paradip in Orissa state will be delayed further.

The committee, which is to hold further talks with the two parties on the terms, will nct submit is recommendations before he end of March.

The original plan was to seiect the contractor by the middle of last year but this proved difficult because of the change in the Government when Mrs. Indira Ghandi became Prime Minister in January, 1980, and changed officials in charge of key ministries.

At that time, Davy Corporation was the front-runner and a Cabinet committee favoured its selection. However, the Government finally decided that the terms could be improved and appointed a committee of officials to hold further negotiations.

The Pradip steel plant is part of the Indian Government's plan to set up coastal units which will add to the country's steel capacity as well as open the possibility of exporting part of the steel produced. Three such plants are planned of which Pradip will be the second. The first to be set up at Vishakpatnam in Andhra State, is being built by the Russians.

India extends export concessions

By K. K. Sharma in New Delhi

INDIAN industrial plants which undertake to export their entire production will get the same facilities and concessions as those in the two free trade zones, the Indian Commerce Ministry has decided.

Its announcement means, in effect, that the Government has acknowledged that the free trade zones have not been successful. It believes that, by extending concessions to all factories, no more companies will want to set up plants in the two zones.

A committee headed by Commerce Ministry officials is to give clearance to units on industrial licensing, foreign collaboration, import of capital goods and allocation of raw materials. The units will have to undertake in return to export their entire output.

The plants concerned will have to furnish a bond for the purpose which will tie them to exports of production for 10 years. In cases where rapid changes of technology are involved, the period could be reduced to five years. After this period, the units will be allowed to sell products in the country on payment of certain duties on the depreciated value of the capital goods.

The units will be eligible for duty free imports of capital goods, raw materials and components.

Swiss watch exports rise by 8%

BY JOHN WICKS IN ZURICH

THE SWISS watch industry is "fairly optimistic" about its prospects for 1981, according to Dr. Peter Renggli, chairman of the Asuag group, Switzerland's leading watch concern.

Writing in the end-of-year bulletin of Credit Suisse, Dr. Renggli estimates that Swiss watch exports should rise at about the same rate as in 1980. For the first 11 months of last year, export sales were 8.2 per cent higher than for the corresponding period of 1979.

Total exports for 1980 are likely to exceed SwFr 3.5bn (£800m) but will remain noticeably lower than the record SwFr 3.7bn booked in 1974.

Mr. Rene Retornaz, director-general of the trade association Federation Horlogere, indicated recently that a large part of last year's export growth will have been the result of the higher gold price.

In his article, Dr. Renggli said the Swiss watch industry would have to adjust further to changing conditions on the world market. While predicting a continued growth in the sale of electronic watches, he emphasised the importance to the industry of "energetic rationalisation" and lowest possible production costs.

The relative stability of exchange rates since 1979 had favoured watch manufacturers, he added, but unpleasant surprises were always possible with a floating system.

Half textile orders for foreign clients

BY OUR ZURICH CORRESPONDENT

EXPORT SALES are playing an increasingly important role in the Swiss textile industry, according to an end-of-year report published by Credit Suisse.

Foreign orders, which accounted for half the industry's new-order value in the first six months of 1980, are expected to make up an even greater share of turnover in future.

Writing in the bank's monthly bulletin, Mr. Ulrich Albers, a textile trader, claims that the survival of the Swiss industry depends on export orientation. Sales on foreign markets must be backed up by a "purposeful extension of distribution networks abroad," he adds.

For 1980 as a whole, Switzerland's textiles sector expects a surplus of exports over imports amounting to some SWFr 900m (£216m). This compares with a marked import surplus in the field of ready-made clothing.

New-order activity slowed in the second half of 1980 after good business at acceptable prices in the first six months, writes Mr. Albers. For the coming months he anticipates orders to be about equal to capacities. At the same time, textile manufacturers are seen to be faced with the problem of obtaining prices corresponding to higher production costs, greater risks and the Industry's investment requirements.

China keeps to imports policy

PEKING — China remains committed to importing foreign technology despite its programme of economic cuts, according to Chinese vice-Premier Gu Mu.

The official New China News Agency today quoted Mr. Gu as saying: "The current economic difficulty is temporary. China's open-door policy remains unchanged."

Mr. Gu said China would rely mainly on its own efforts in its modernisation drive but would also use foreign funds and import technology and equipment.

He told a recent conference of foreign experts working in China that the number of overseas economic specialists living here would increase with the development of compensation trade—under which China pays for imported equipment with products manufactured using that equipment — and joint ventures.

The start of projects using loans from the World Bank and Japan's Overseas Economic Co-operation Fund would also increase the number of foreign experts, said Mr. Gu.

Reuter.

U.S. Postal Service switches into the electronic age

BY NANCY DUNNE AND PATTI REALI IN WASHINGTON

THE U.S. Postal Service, beset by competition from the private sector and quarrels with official agencies, is moving into electronics in an effort to ensure that it has a future.

From January 1982, the Post Office will run a full electronic postal service—known as E-Com—for large-volume business post, transmitting messages from computers to any of 25 post offices across the U.S.

The messages will be printed at high speed, automatically folded and sealed in envelopes and placed in the first-class mailstream, which guarantees delivery within two days, according to the Post Office.

The service is now calling for bids to install the communications network itself. Business users will have access through their own computers, through telecommunications companies like Western Union or through magnetic tapes handed in "over the counter."

The decision to enter the computer age was strongly supported by the U.S. Postal Union which, as the third largest U.S. work force, has considerably lobbying power.

The union, whose workers earn an average of $17,000 a year for a 40-hour week, have seen proposals to close 92 post offices in the past two years, and recognise the post offices existence is threatened by competition.

While the post office has a monopoly on the delivery of first-class letters, its other services have been losing ground. United Parcel Service earned $2.8m last year and delivered 3.5 times as many parcels as the Postal Service. Post Office delivery of third-class advertising mail has been hurt by the rising ... le, phone calls, private hand delivery services and the increase of advertising inserts into newspapers.

A study of consultants Arthur D. Little said that if the Postal Service did not enter the electronic field, private telecommunications services from such companies as A T and T, RCA and Western Union might replace over 15 per cent of the first-class letter market by 1985.

The U.S. electronics mail industry is still in its infancy, but is now earning about $70m a year. Electronics messages can be sent by a variety of devices—copiers, word processors, facsimile transmitters, telecopiers or terminals—over any communications network with the right equipment. Systems now in operation allow home offices to send and receive written messages from their branches.

The Postal Service moves over 104bn items a year, 80 per cent of which comes from the business community, and the volume is expected to increase. Officials estimate that E-Com will cost its users 30 cents for the first printed page and 10

"It's another one of those damn computerised letters"

cents a page thereafter, earning more than $20m in its first year.

The new service has run into bitter oppostion from communications companies, which claim that any enlargement of the post office's monopoly on first-class mail will limit competition. Mr. Ray Bolger, the Postmaster-General, has denied another claim that E-Com will be subsidised by the conventional mail services.

The implementation of electronic mail was mired for over two years in jurisdictional disputes between the two regulatory agencies governing communications: the Federal Communications Commission (FCC), which governs all transmissions through the airwaves; and the Postal Rate Commission, which sets policy and pricing levels for the Postal Service.

The dispute was settled last last summer, with the Postal Rate Commission giving the go-ahead for E-Com, but only on a temporary basis, until 1984. The Postal Service Board has gone to court in an effort to make Electronic mail permanent.

But the E-Com system is relatively unsophisticated. The Postal Service is also taking an interest in more advanced technology, which would eliminate much tedious programming.

The $1.7bn Electronic Message Service System (EMSS), now in its experimental stages in a Maryland laboratory, will allow individuals to send handwritten messages from electronic message boxes via satellite to postal stations, where they will be reprinted, addressed and delivered.

It is expected that a letter from San Francisco to New York could be delivered in the next day's mail. Although the technology to achieve EMSS is now available, postal officials say it will be phased in gradually over the next 20 years.

The latest technology is already in use in the international communications system known as Interpost. Letters, documents and graphs are transmitted electronically through a satellite in stationary orbit over the Atlantic, and duplicate copies are sent through the conventional system.

The U.S.—with Britain, France, Germany, the Netherlands, Belgium, Canada and Argentina—is a member of Intelpost, which was developed by the U.S. Post Office and the Communications Satellite Corporation (Comsat). The irony is that although the U.S. is by far the largest potential market for the system, American involvement has been kept to a minimum by a dispute with the FCC which claims jurisdiction over satellite transmissions.

In the meantime, the Postal Service has been negotiating with Canada for permission to transmit messages to Europe via Toronto. These would leave the U.S. by land cable, bypassing FCC jurisdiction.

In 1979 the Postal Service made a surplus of $470m—the first since the Second World War. Another, though smaller, surplus is expected for 1980.

The introduction of electronic mail will not drastically affect the post office's results either way for some years, but as the cost of physically transporting a letter from one side of the country to the other becomes increasingly prohibitive, the service is looking to the new technology to keep it in business in the 1990s and beyond.

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Hard-pressed High Street picks price-cuts with caution

David Churchill examines the supermarket chains' sales strategy

THE HIGH Street supermarket chains yesterday launched major promotional campaigns aimed at boosting trade in the difficult retailing conditions forecast for the coming year.

However, in the military terminology which has become an essential part of the grocer's vocabulary during the past few years, the marketing campaigns are less of an all-out price offensive and more of the continuing trench-warfare of the past 12 months.

Only one major supermarket group—J. Sainsbury—has the financial muscle at present to launch a real price-cutting campaign, following its interim pre-tax profits increase of 58 per cent announced last November. But even Sainsbury made clear yesterday that its re-launched "Discount" promotional campaign was much the same mixture as before.

"Our price savings were designed to be long-term and to give real benefit to the customer," said Mr. Peter Davis, Sainsbury's assistant managing director. "We have genuinely provided better value and lower prices for our customers who have responded by giving us more business."

No supermarket chain, therefore, has the financial ability and willingness to spark off a round of price cuts in the order of the £20m to £30m made by Tesco in the summer of 1977 when it launched its "Operation Checkout."

However, there is no doubt that the competition in the High Street remains fierce, as a result of the static volume demand for food as the recession curtails household spending. Evidence of the severity of this competition is shown by the fact that the rate of food price inflation is substantially below the rate of inflation generally.

But without the ability to finance a round of deep price cuts, the major multiples are turning to other, more traditional ways of competing.

Retailers will spend a total of more than £30m on advertising in the media this year.

A number are also making greater use of special-offer coupons, often partially financed by food manufacturers. International Stores, for example, yesterday announced a coupon-based promotion.

The Tesco group is also taking advantage of its golden jubilee celebrations this year to carry out a number of special promotions. One such scheme, announced yesterday, is for Tesco to sell Heinz products at 1931 prices. This is achieved by a variant of the usual coupon promotion.

Other stores have reacted by offering shoppers special plain packs of groceries — International has its "Plain and Simple" range, while Fine Fare is selling groceries in one-colour, no-frills packs.

But most major retailers are preparing for a tough start to the year. Mr. Leslie Porter, Tesco's chairman, said yestrday that trade would be "dull" in the coming months. "But in times of economic hardship, our stores throughout the UK generally do well because of our low prices," he added.

Although Tesco's stock market image has begun to slip in recent months—its interim pre-tax profits were down by almost a third because of high interest charges—the company is generally optimistic about the medium to long-term future. Similarly to most of its major rivals, Tesco is forging ahead with its development programme of new superstores. In its financial year to February 1981, Tesco will have opened 21 stores adding 750,000 sq ft of selling space.

New stores enable a higher volume of trade to be achieved as well as reducing operating costs by higher productivity. Large superstores (with a selling area of more than 25,000 sq ft) also allow supermarkets to sell more non-foods, such as clothes, televisions and freezers. Tesco and others remain confident that this is a long-term growth area.

The inevitable consequence of this will be that the large multiple grocers will continue to increase their market share at the expense of smaller food retailers. During 1980, according to trade research carried out by the AGB company, the multiples increased their share of the packaged grocery trade by some 3 per cent to slightly over 68 per cent. The co-operative retailers and retailers each lost about 1 per cent of their market share.

The effect of the multiple retailers' growing concentration of power, with the closure of many small grocers, has been studied by the Monopolies and Mergers Commission. Its conclusions are due to be published in a few weeks' time and could suggest that the Government introduce legislation to curb retailers' power.

Sainsbury enters do-it-yourself with Homebase

THE J. Sainsbury supermarket chain yesterday said that its joint venture with GB-INNO-BM, the Belgian retailing group, to enter the UK do-it-yourself market will be called Homebase, writes Gareth Griffiths.

Homebase house - and - garden centres are planned for Croydon, Surrey, to open in March, and for Leeds, to open in the autumn. Sainsbury was responsible for site-acquisition and financing. The Belgian partner will supply all operating expertise.

Homebase is Sainsbury's attempt to diversify from foods. Margins in do-it-yourself equipment are higher than for food products and, in spite of recent set-backs in the sector, it is seen by the chain as having good growth prospects.

Sainsbury has 75 per cent of the £1m issued share capital in Homebase, which will operate separately from both parents but be able to use their financial and management services.

The subsidiary is called Sainsbury-GB (Home Improvements) and hopes to open 20 garden and house centres in the next five years.

The Croydon shop will have a sales area of 41,000 sq ft and is near Sainsbury's Purley store. The company hopes to build centres near existing Sainsbury Sava Centre stores.

Mr. Gurth Hoyer Millar, Homebase chairman, said the centres would set standards for the rest of the sector, now worth about £1.8bn per year.

The GB-INNO-BM group runs 40 do-it-yourself centres in Belgium under the trade name Brico. These control nearly 20 per cent of the Belgian market.

Depressed year for beer output predicted

Financial Times Reporter

BEER PRODUCTION in Britain, at its lowest level for five years, is forecast to remain depressed this year with no real recovery until the recession ends.

Output in the first 11 months of 1980 fell by 4.2 per cent compared with the same period in 1979 to reach this low. The Brewers' Society expects the final production total for last year to be about 4 per cent down on 1979.

The society's figures, produced yesterday, show a 12.6 per cent fall in production last November compared with the same month in 1979. Production was 3.29m bulk barrels compared with 3.77m bulk barrels. Production for the first eleven months was 36.67m bulk barrels, equal to 31.5m pints of beer a day.

The brewers blame the fall in production on the rate of inflation and the effects of the recession. Between June and November last year, beer production fell by 8 per cent compared with the same period in 1979, a decline equal to 1.8m bulk barrels. The industry's main hope rests on a reasonably good summer.

British Gas to aid science tuition

BRITISH GAS is to help 30 school teachers to develop material for lessons on the industrial use of science and technology, the Association for Science Education was told in Warwick yesterday. They will spend four days in the corporation's research centres to gather the material, which will be published within the next year.

Sir Denis Rooke, chairman of British Gas, said the country must avoid a divided society in which specialised scientific knowledge was vested in a small minority.

Corby considered for airship plant

CORBY, the former steel town in Northants where unemployment stands at 21.2 per cent, is on the short list for a factory to build airships which would create up to 1,000 jobs. Airships Industries of Ramsay, Isle of Man, will decide on the site of the factory within the next six months.

Jobless offered census work

By Our Labour Staff

THE Manpower Services Commission is to offer temporary jobs as census takers to about 100,000 unemployed.

The Office of Population Censuses and Surveys has asked the commission to help provide staff in England and Wales for the census. This will take place on April 5, but the part-time staff are needed for 14 days spread over four weeks from about mid-March.

There will be a lump-sum payment of £124 and London weighting allowances.

EEC call for fewer imports may aid British special steels sector

BY ALAN PIKE

BRITAIN'S HARD-PRESSED special steels sector has been offered some hope of relief by an EEC Commission attempt to curb Continental penetration of the British market.

Guidelines published by the commission show that production in the British high-alloy special steels sector, based in the Sheffield area, was 20 per cent down in the last quarter of 1980 compared with the same period of 1979.

Production in other EEC countries was broadly the same during the two quarters and the commission has now urged companies which have been exporting to Britain to reduce production by 20 per cent.

British special steel producers hope future commission guidelines will seek even greater reductions.

Mr. Selwyn Williams, director of the British Independent Steel Producers' Association, said the move was an important breakthrough for the British producers, who have been suffering from depressed home demand and heavy import penetration.

"Within the limits of what is possible, it is a sign that the commission is trying to fulfil undertakings to assist this area of the British industry," he said.

It is expected that steel producers and other industrialists who have been campaigning for cheaper energy will be less pleased, however, with the Government's response when the issue is debated at the National Economic Development Council tomorrow.

Indications are that Mr. David Howell, Energy Secretary, will present a paper which continues to question the evidence that British industrial consumers pay substantially more for energy than their overseas competitors.

Howe's views on training

BY ALAN PIKE

GOVERNMENT SPENDING is unlikely to be the essential factor in improving the supply of skilled labour, Sir Geoffrey Howe, the Chancellor, has told the Engineering Employers' Federation.

Sir Geoffrey, replying to a call from the EEF for more public funds to be invested in training, said that Government initiatives would achieve little without change in the attitudes of management and unions. Both sides of industry must accept the idea of training or retraining

There was also a need for training to standards rather than for a set period of time. "Time-serving is a poor guide to qualification and a long training period deters able young people from entering apprenticeships."

It would be tragic, said Sir Geoffrey, if economic recovery and long-term growth were hindered by skill shortages.

But he wondered whether, in suggesting extra Government spending to increase the supply of skilled labour, the EEF was giving adequate recognition to the substantial initiatives which the Government was already taking. The Manpower Services Commission would be spending £350m on training measures, and on top of this £190m would be invested in the Youth Opportunities Programme.

Stamps depict old traditions

CUSTOMS from British folklore are to be highlighted at an exhibition opening on February 6 to coincide with the issue of the Post Office's first set of special stamps for 1981.

The exhibition will take place at the National Postal Museum in King Edward Street, London, near St Paul's tube station.

Folklore has been chosen by postal authorities throughout Europe as the theme for next year's Europa stamps. These are issued annually and bear the Europa symbol of the Conference of European Posts and Telecommunications.

BNOC delays oil price decision

BY MARTIN DICKSON, ENERGY CORRESPONDENT

A NEW price for North Sea oil seems unlikely to be announced until the end of this week, allowing the British National Oil Corporation, the UK's main price setter, more time to consider the state of the international market.

North Sea prices are set to rise substantially on the back of the increases agreed last month by the Organisation of Petroleum Exporting Countries. OPEC set a ceiling of $36 a barrel for crudes akin to Arabian Light and $41 for premium crudes — the kinds produced in Africa and the North Sea.

However, only Libya has raised its price to $41. Its two fellow African producers, Algeria and Nigeria, have settled for a $3 price rise to $40.

It is widely expected that BNOC will increase prices by around $3 from the current level of $36.25 for a barrel of British Petroleum Forties marker crude.

But the final figure could be influenced by any price rises announced during the next few days by Gulf oil producers. Gulf countries are free to raise their prices by $4 to $36 a barrel. However, Sheikh Ali Khalifa Al-Sabah, the Kuwaiti Oil Minister, has said he feels most Gulf countries will choose to raise prices by not more than $3.

Several UK oil companies, notably some with refining interests, are known to be advocating pricing moderation by BNOC, fearing that North Sea prices might be driven up to a level which the current state of the market will not bear.

BP Shipping buys first LPG carrier

BY WILLIAM HALL, SHIPPING CORRESPONDENT

BP SHIPING has bought its first liquefied petroleum gas (LPG) carrier for about $50m. The move marks BP's entry into the seaborne transportation of one of the most dangerous cargoes.

It is understood that BP Shipping (formerly BY Tanker) has bought the Razi, a 1977-built Iranian ship. It has a capacity of 71,000 cu.m. and has been renamed the Gas Enterprise.

Initially, the ship will be traded generally but it will probably be used for transporting gas to the planned BP-Shell terminal at Rotterdam's Europort.

BP and Shell plan to build a Fl 400m (£78m) LPG import terminal just north of BP's existing refinery at Europort. Existing plans to assume that between 1-2m tonnes of LPG will be unloaded annually. It will be shared equally between BP and Shell.

LPG is an increasingly important feedstock for the world's chemical industry and is a partial substitute for naptha. It is a highly dangerous cargo because it can explode violently. However, the safety record of LPG ships to date has been above average.

BP Shipping is Britain's biggest shipping company, operating a fleet of 58 ships totalling 5.3m dwt plus a chartered fleet of 27 vessels totalling 4.8m dwt. It carries around 80m tonnes of oil a year.

The company's name was changed this month to reflect the fact that it is no longer a simple tanker company. It operates supply and diving support ships in the North Sea and has a substantial interest in the Stolt Nielsen parcel carrying fleet. Last year it decided to move into LPG transportation.

Machine-tool exports up by nearly 30%

By Hazel Duffy, Industrial Correspondent

THE BRITISH machine-tool industry increased its exports by nearly 30 per cent in 1980, achieving a small surplus over imports.

The value of machine-tool exports is estimated at £230m-£290m for 1980 against £223m in 1979. Machine-tool prices are rising at between 15 and 20 per cent a year, indicating a real increase in exports last year of something over 10 per cent in spite of the problems of the strong pound. Imports over the same period declined from £283m in 1979 to an estimated £270m last year.

A positive trade balance has been customary in the industry but a surge in imports and static exports in 1979 led to an adverse balance of £60m.

Exports have returned to a more realistic level while imports have been depressed by the UK recession and completion of major re-equipment projects in the automotive industry.

Two major factorse detract from any optimism over the slight recovery in export performance during 1980:

● The underlying weakness of the industry continues to be reflected in the higher value of machines being imported.

In the first three-quarters of 1980 the average value of imported machine-tools was £5,300 against an average export value of £3,800.

Although the analysis is crude it indicates that British industry still needs to import a high proportion of sophisticated requirements.

● Depressed demand in the home market outweighs the export situation. Orders from British industry declined by about 30 per cent last year. This put severe pressure on many manufacturers.

Employment in the industry fell by 10 per cent, from just over 50,000 at the beginning of 1980 to 46,000 at the end of the year. This is the biggest annual fall since 1971, from when employment levels hovered at about 50,000-55,000.

The U.S. continues to be the best market for British machine-tool exports, accounting for about 20 per cent in the first three quarters of 1980.

In spite of the U.S. recession, the automotive and aerospace industries have been investing heavily in equipment and the home based machine-tool industry has been unable to meet all the demands of its customers.

West Germany accounted for about 35 per cent of machine tools imported to the U.K.

Taxi strike plan

ABOUT 250 taxi drivers have threatened strike action in Derby over a proposed 200 per cent increase in private hire licence fees.

Derby City Council plans to increase the £30 fee to £90 on February 1, but the drivers oppose the move. The council is increasing the city's Hackney carriage licences by only £5 to £35.

Homes crisis 'worst for generations'

BY MICHAEL CASSELL

BRITAIN faces its most serious housing crisis for generations, Mr. Gerald Kaufman, opposition spokesman on the environment, told his Ardwick, Manchester, constituents last night.

Mr. Kaufman, who before Christmas led the Opposition attack on the Government's housing expenditure cuts, said fewer new houses were started in 1980 than in any peace-time year for more than half a century.

"In 1980 starts on new homes built for sale fell disastrously below the 100,000 level. New contracts for council house building have been stopped altogether and the local authority programme is at its lowest peace-time level since the mid-1920s."

Mr. Kaufman said the 14 per cent mortgage rate represented an annual tax of £560m on the country's 5.25m home buyers, while the new increases in council rents meant 5.5m tenants faced a bill for accommodation of £875m.

"All this means a disaster for the building industry, with unemployment among construction workers now approaching the 300,000 mark."

● The next year to 18 months will place the building materials industry "under considerable pressure," according to a report from Jordans Surveys.

It says the UK construction industry will see no improvement in workload before 1982 and that the materials sector cannot therefore expect any short-term improvement in its prospects.

The report does say, however, that in the medium to longer term, the materials industries will experience increasing demand for their products as the huge volume of work available from the repair and maintenance of public, non-housing assets becomes a priority.

Building Material Manufacturing and Quarrying, £75, Jordans.

More use BA Concorde on North Atlantic routes

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE SUPERSONIC Concordes of British Airways carried more passengers across the North Atlantic in 1980 than in 1979, in spite of the economic recession and an overall fall in airline business.

The number of Concorde passengers between London and New York and Washington last year was 94,536, up 1,529 on the 1979 figure.

While the number of passengers out of London declined slightly, the number of passengers from the U.S. more than made up the deficit.

Mr. Ossie Cochrane, general manager of BA's western routes, said: "In the prevailing business climate, this is a remarkable achievement, and says everything that needs to be said about the attractiveness of Concorde as a businessman's aircraft."

Concorde passengers pay a surcharge of about 20 per cent on the normal first-class subsonic fare.

The London to New York Concorde single fare is £837, and New York to London £756. The London to Washington single rate is £844, and Washington to London £762.

The eastbound rates are lower because of exchange rate differences and incentive fare offers.

Maddock potters saved

BY MAURICE SAMUELSON

THE AILING pottery industry in North Staffordshire was boosted yesterday by news that John Maddock and Son, of Burslem, in receivers' hands since November, has been saved from closure albeit with a reduced workforce.

The 150-year-old company has been bought by a consortium of four London businessmen. One of the new directors said yesterday that all staff had been made redundant but as many as possible would be re-employed, including Mr. John D'Arcy, outgoing managing director.

The company was controlled by five generations of the Maddock family until three years ago. In November, 92 employees were made redundant, followed by another 150 yesterday. Catering mainly for the hotel market, Maddock made vitrified tableware and china.

The factory will now also produce Royal Staffordshire China, acquired by the same consortium. Maddock's losses rose from £200,000 in 1977-78 to £300,000 in 1978-79.

Bus pass prices to rise

THE PRICE of bus passes issued to pensioners, the blind and the disabled by London Country Bus Services will increase by 12 per cent this year.

The company offers the free or half-fare concessionary passes to local and county councils within its operating area who administer the scheme. The councils usually charge £1-£3 for the passes to recoup some of the cost.

About 250,000 passes were issued last year.

Car plants face short-time working

By Kenneth Gooding, Motor Industry Correspondent

ALL OF Britain's motor vehicle plants returned to work yesterday but many of them face a long period of short-time working.

But there was better news for two of them. Seddon Atkinson, the heavy truck manufacturer, which was operating a one-day week for some time before Christmas, yesterday started working a three-day week. And BL's Solihull plant, which makes Rover saloons and Land-Rovers, returned to full-time working.

Seddon, which is a subsidiary of U.S. group International Harvester, said orders for its new 401 series of premium heavy trucks made three-day working worthwhile in spite of the severe recession in heavy commercial vehicles sales.

The 401, said to be one-quarter of a tonne lighter and 8 per cent more fuel efficient than the truck it replaces, was scheduled to go into volume production at the Preston and Oldham plants this month.

The return to full-time working at BL's Solihull plant means all BL Cars' factories, including Longbridge and Cowley, are back to more-or-less normal output.

But, at Leyland Vehicles', the truck, bus and agricultural tractor subsidiary of BL, short-time prevails and will continue until March when the subsidiary completes the current round of de-manning.

By March about 2,600 jobs will have gone, including some forced redundancies, and the company will then cut short-time working.

Leyland's Lancashire heavy truck plants are working three weeks out of every four. The Scottish factories are working one week in two.

Like BL, Ford's car assembly plants are working normally but periods of short-time working are planned for most of the component plants, the Dagenham engine plant, the Transit van plant at Southampton and the agricultural tractor factory at Basildon.

Vauxhall's main car assembly lines at Luton are on a one-day week. The van lines are working four days in five.

At the Ellesmere Port plant, the two shifts work one week on and one week off. The Dunstable truck plant is on a two- to four-day week.

Of the UK-based manufacturers, Talbot seems worst affected as it fights to reduce high stock levels.

At Ryton, Coventry, and at Dunstable, Talbot workers are on a two-day week. At Linwood, in Scotland, most employees will work just a three-day week.

And the engine plant at Stoke, near Coventry, employees work a one, two or three-day week depending on their job.

Of the other truck makers, ERF is on a two-day working week and at the old Fodens' plant, which was taken over by the U.S. group Paccar last autumn and renamed Sanbach Engineering, output has yet to restart.

Higher demand and lower costs forecast for freight transport

Lynton McLain examines the predictions of haulage companies and economists

DEMAND for freight services to industry and commerce is expected to increase only slowly in the next 12 months: hauliers' costs increases are expected to be lower than in most recent years.

These forecasts were made by haulage companies and economists, and were published towards the end of last year.

However, the forecasters disagreed about the precise timing of the slight upturn in demand for freight transport.

The Henley Centre for Forecasting, in its predictions for freight-transport operators to 1985, said demand for freight transport would improve slightly in the last quarter of this year. Until then a "further decline in total inland freight transport" was expected.

Hauliers accept that the dramatic upsurge in demand for freight services recorded in 1979 will not be repeated this year. Total spending on these road, rail and inland-waterway services rose by 28 per cent to a record £14.1bn in that year.

But the largest haulage groups, at least, do not accept that the recession in demand will only lift towards the end of the year.

A modest improvement in the operating fortunes of the larger haulage companies may come well before the end of this year, according to confidential reports received before the end of last year.

However, this improvement will not necessarily reflect reflationary pressures from industry. Other factors reflecting the worst effects of the recession may finally be responsible for a slight upturn in fortunes.

The haulage industry suffered a substantial drop in demand for its road freight services last year. Demand dropped by up to 15 per cent, according to one large group, and by as much as a quarter according to the Road Haulage Association, which represents 15,000 independent haulage-contractor companies.

The effect on haulage companies of this severe fall in demand for their services was made worse by the high level of purchases of new commercial vehicles in 1979.

Purchases of all types of commercial vehicles came to 300,000 for the first 11 months of the year, 17 per cent higher than in the corresponding period in 1978.

Although demand for haulage services had already started to fall in the early months of 1980, sales of commercial vehicles remained buoyant for the first quarter and dropped severely only in the second half of the year.

The vehicles were sold mainly to large operators, as replacements or for expansion of the contract services offered by specialist operators to industry on long-term contracts.

Most companies in road haulage contracting buy second-hand vehicles, as a survey by the Price Commission showed in 1978. The commission found that 85 per cent of Britain's 46,000 road haulage companies had five vehicles or less, and that of these companies 90 per cent bought second-hand power units and trailers.

Companies with more than 101 vehicles, however, bought only new equipment. Sales of new vehicles in 1979 and early 1980 increased the total capacity of the industry by 5 per cent according to Henley.

The inflow of new equipment at a time of falling demand for haulage services increased pressure on all companies to cut rates charged for haulage services.

Some of the greatest reductions came from the smaller companies fighting to survive, as the Road Haulage Association urged members to lay up vehicles to prevent wholesale bankruptcies as rates fell below economic levels.

In spite of these pleas, dozens of companies did go bankrupt, and possibly 10 per cent fewer companies are now operating in the haulage sector, according to the association.

The recession is far more severe than the fall in demand in 1975, the last time the industry was severely hit by excess capacity and zero growth in demand.

All companies have been hit by falling profitability, with only those that had earlier opted for a strategy of diversification into specialist areas away from general haulage suffering slightly less.

Over-capacity is expected to persist in 1981. But the reduction in capacity forced on companies by the depression last year is likely to mean that freight rates will harden slightly this year, according to one of the large groups of haulage companies in a report before Christmas.

Cost increases in road haulage this year are expected to be lower than over the previous 12 months, largely because of moderate pay settlements, with many companies agreeing to single-figure awards.

The combined effect on the fall in lorry capacity, the fall in operating costs increases, and low wage demands, on one side, and, on the other, of a possible slight upturn in demand for freight services as industry begins this year to restock with raw materials and equipment, is likely to be a slow return to less unprofitable operation for many haulage companies.

However, a sustained return to profitability is still likely to be a long way off.

● Forecasts for the number of lorries likely to be on UK roads by the end of the century range from 3 per cent less than in 1978 to 9 per cent more than in 1978, and not as published in the review of the Government's latest transport statistics published last Tuesday.

The published figures referred to the expected maximum growth in the number of cars and taxis on the roads, and not to lorries as stated. By the year 2010 the number of lorries is likely to be between 4 per cent less and 10 per cent more than in 1978.

Volvo ups its market share to over 2.5%

VOLVO cars had their best year on the British market in 1980 in spite of the steep decline in total sales.

While overall car sales in the UK dropped by about 12 per cent, Volvo increased its registrations by more than 4 per cent, from 36,853 in 1979 to more than 38,500. As a result, Volvo's market share improved from 2.1 to more than 2.5 per cent.

The sole importer of Volvo cars to the UK is Volvo Concessionaires, the Lex Service Group subsidiary. Dr. Jim Maxmin, its managing director, expects Volvo to push up its market share again this year to at least 2.7 per cent.

This would involve car sales of between 38,000 and 42,000 even though the UK market is forecast to fall from about 1.51m to about 1.4m.

Volvo's performance in the UK was given a big boost by the introduction two years ago of a manual gear-change for the smaller, 300 series cars. These are expected to account for nearly half this year's sales.

Even so, sales of the larger 200 series cars held up reasonably well in 1980 and, at about 22,100, were 14 per cent down, compared with the 22 per cent fall in Rover registrations to 25,000 and the 43 per cent drop in Granada sales to 29,500.

In the past 18 months Volvo Concessionaires spent £5m to expand the Ipswich import centre and build a car-marshalling area and security park at Felixstowe Docks; begun work on doubling the capacity of the car-parts division warehouse at Crick, Northants; and opened a £1m dealer-training centre at Daventry.

In 1980 the number of dealers increased from 220 to 250 and the aim is to end this year with 260.

The Lex group has had the Volvo car franchise for more than 20 years and its current contract runs to December, 1984. The Swedish group owns its own truck—and bus—importing company in the UK.

According to the ICC Business Ratios report on car importers in 1978, Concessionaires' sales were £109m, on which it returned pre-tax profits of £9.6m. In that year the company sold 29,900 cars.

C. H. Industrials is joint Aston Martin controller

BY JOHN GRIFFITHS

C. H. INDUSTRIALS, a public group with interests ranging from vehicle trim products to industrial property, was disclosed yesterday as the new joint controller of Aston Martin, the Newport Pagnell luxury car maker.

CHI has increased the 20.9 per cent stake in Aston Martin it acquired for £450,000 last May to 47.78 per cent, at a net cost of £186,000.

Its partner in the venture, Mr. Victor Gauntlett, chairman of the independent petrol supplier Pace Petroleum, has increased his company's stake to the same level, after acquiring 11.6 per cent last May.

The two companies' total investment in Aston Martin is about £1.3m.

The remaining shares are held by Mr. Peter Cadbury, former chairman of Westward Television.

The shares have been acquired from Mr. Alan Curtis and Mr. Peter Sprague, Aston Martin's former joint chairmen, and Mr. Denis Flather. Mr. Curtis and Mr. Sprague are cutting their ties completely, but Mr. Flather is to remain on the board.

Payments to the trio are to be made on a deferred basis, over five years, starting from January 1982.

Shortly after announcement of CHI's interest, its shares on the London Stock Exchange moved up by 1p to 26p.

Mr. Tim Hearley, CHI's chairman, said that there was no intention of making immediate big changes to Aston Martin, whose 365 workers are producing its V8 and Lagonda models at the rate of four a week.

At this level, the company's car manufacturing activities are acknowledge to be unprofitable—peak output in the past has been seven to eight cars a week—but Mr. Hearley said other aspects of the company's business were operating profitably and he was optimistic about the future. The company has also been developing research and development facilities.

Mr. Gauntlett becomes executive joint chairman and Mr. Hearley non-executive joint chairman. They and Mr. Flather will be joined on the board by Mr. John Kinder, managing director of CHI.

Mr. Gauntlett said he and Mr. Hearley understood the problems of specialist car builders, but believed in the future of Aston Martin. "We recognise the company presents an exciting challenge and an opportunity."

He was not worried by the company's current non-profitability. "We're not stockpiling cars, and we recognise that we're in a cyclical industry where sales eventually can be recaptured."

He said, however, that an immediate concern would be to examine ways of improving production methods for the hand-built cars, which cost upwards of £35,000.

CH Industrials reported turnover of £16.7m in the year to last March, when pre-tax profits rose by 89 per cent to £1.18m. In this year's first six months, profits fell sharply to £135,000 from £305,000 in the first half of last year.

The company blamed the deterioration on higher interest rates and the effect of the UK recession on its manufacturing businesses, with the vehicle trim and synthetic foam divisions being hardest hit.

Pace Petroleum, launched eight years ago, is the UK's largest independent petrol supplier, with 400 retail outlets and an annual turnover of about £35m.

Tyne Dock Engineering to be reopened after bankruptcy

BY MAURICE SAMUELSON

A BANKRUPT Tyneside ship repairers is to be reopened shortly by the same company that recently revived a failed Glasgow ship-repair yard.

Tyne Dock Engineering, which closed last March with losses of £560,000 and 350 jobs, has been purchased by Zenta Engineering Holdings, the parent company of Clydedock Engineering, which last year made a profit of £316,000 from the collapsed Glasgow yard of Alexander Stephens.

The surprise news that the South Shields ship repair yard is to resume business comes less than a month after Mr. "Rab" Butler, chairman of Zenta and Clydedock, said he was withdrawing from the project after the Industry Department refused grant aid he needed to purchase the yard.

Only a few workers will be re-engaged initially but the labour force may increase to about 300 in the next two or three years.

Now Lloyds Bank, which put a receiver into the business at the request of Tyne Dock Engineering, has offered to make the necessary finance available, and Mr. Butler's company announced that the yard would reopen as a ship repairer.

The Industry Department had withheld finance because of lack of an overall agreement with the unions on working conditions.

Mr. Butler said yesterday that although no formal agreement had been reached with the Confederation of Shipbuilding and Engineering Unions, individual unions had given assurances that they would not impede business at Tyne Dock.

Interviews would begin immediately with "selected members" of the workforce with a view to resuming operations early next month.

Confederation opposition to Mr. Butler's proposed conditions of employment at the yard was one of the factors behind the long delays in getting the yard reopened, he said.

However, virtually all the former employees had said they would accept the conditions, which include a two-year strike-free period, full crews working on vessels being repaired, competitive prices, guaranteed delivery dates, and full flexibility.

Annual figures for the Clyde operation, issued last July, showed a profit of £316,000 on a turnover of £4.6m

Cuts may hit motor industry research

By Kenneth Gooding, Motor Industry Correspondent

AN £8M modernisation programme by the Motor Industry Research Association (MIRA) is threatened by Government expenditure cuts.

MIRA, a co-operative with more than 190 members from all parts of the motor industry as well as some transport users, is about a quarter of the way through the project, but cannot go on with the next major stage without support from the Department of Industry.

The association wants to instal a new engine test laboratory with altitude chambers. But unless the Department meets half the £1.5m cost it will not be able to proceed.

It is understood that the Department recommends MIRA should have the cash it requires. Now it is up to the Treasury and a decision is expected this month.

Mr. David Plastow, MIRA's president, says: "The money MIRA absorbs is minute compared with the benefit it brings to the motor industry of Britain. There should be no cutback on research and development money by the Government."

Until work began on the project in 1979 there had been no significant capital investment at the MIRA establishment at Nuneaton since 1968, when a crash test laboratory was installed.

Dr. Cedric Ashley, MIRA's director, says: "This capital investment programme is important to the future of the UK motor industry, which is facing its greatest crisis and fighting for survival.

"The placement of large specialised facilities where they can support the whole industry and avoid over-duplication represents the best use of the country's resources."

So far MIRA has installed a reverse accelerator sled as well as computer and electro-hydraulic test facilities from its own resources.

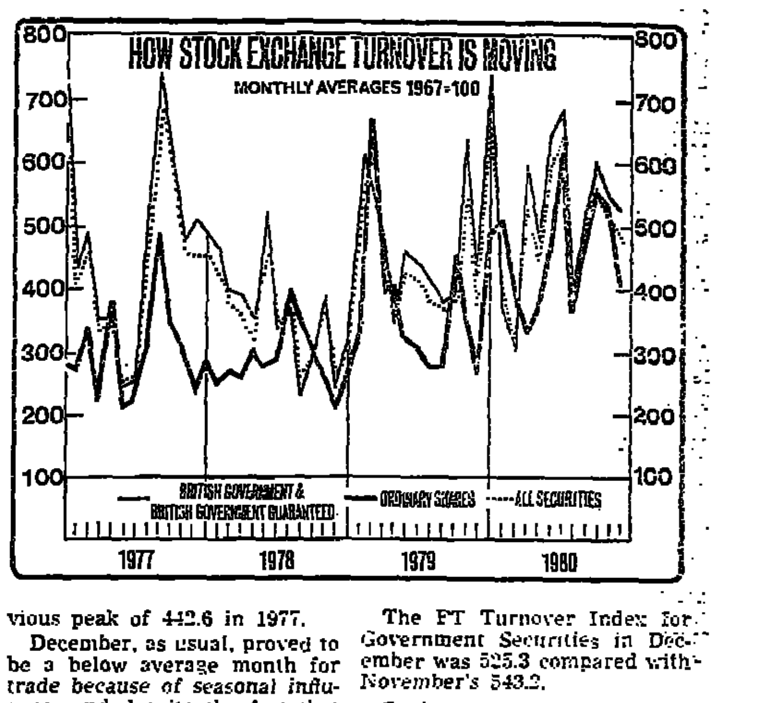
Apart from the engine laboratory, two other major facilities for which MIRA does not have funds are a large anechoic (echoless) chamber and a climatic tunnel.

MIRA's income in the year to June 1980, including fees for research, hire of the Nuneaton facilities and test contracts, was £3.4m (up from £2.6m) and the operating surplus £569,216 (£331,777).

STOCK EXCHANGE BUSINESS IN 1980

Record turnover in all sectors

BY NIGEL SPALL



STOCK Exchange turnover in 1980 was a record in all sectors with turnover in gilt-edged up by 17.6 per cent on the 1979 figure. During 1980, a record £17.05bn of new Government stock was issued compared with £14.75bn in 1979 and £7.4bn in 1978. Trade in gilt-edged last year rose from 1979's £128.9bn to £151.7bn.

Turnover in short-dated issues, at £75.18bn, showed a 16.5 per cent gain on the previous year and the number of bargains transacted in the funds as a whole was 117,676 greater at 996,505.

The Financial Times Turnover Index for Government securities in 1980 registered a monthly average of 535.0 against the previous year's 454.8 and surpassed the previous record of 478.8 in 1977.

Business in ordinary shares increased by 27.8 per cent to a record £30.8bn. The number of bargains transacted in ordinary shares during the year totalled 4.2m, slightly up on 1979's 4.1m but well below the peak 6.7m recorded in 1972. The average value per equity bargain during the year was £7,261.

Turnover in all securities in 1980 rose by £27.3bn, or 16.2 per cent, to a record £196.3bn. This was reflected in the FT Turnover Index for All Securities which averaged 501.2 compared with the monthly average of 431.5 in 1979 and the previous peak of 442.6 in 1977.

December, as usual, proved to be a below average month for trade because of seasonal influences and despite the fact that there was one more trading day than in November.

In money terms, business in gilt-edged in December fell by £0.4bn to £12.4bn. Trade in the shorts decreased by £0.5bn to £5.7bn and the number of bargains in gilts fell by 7,127 to 71,733. Business in other fixed interest stocks declined by £0.9bn to £6.7bn.

The FT Turnover Index for Government Securities in December was 525.3 compared with November's 543.2.

Business in ordinary shares also contracted last month, falling by £0.7bn to £2.24bn. The year's high of £3.46bn, recorded in July, was the highest since March 1979 (£3.74bn). The number of bargains transacted in equities in December decreased by 78,310 to 279,606.

Turnover in all securities during December fell by £1.36bn to £15.37bn.

Category	Value of all purchases and sales £m	Total %	Number of bargains	Total %	Average value per day £m	Average value per bargain £	Average number of bargains per day
British Govt. and British Govt. Guaranteed: Short dated (having five years or less to run)	5,733.0	37.3	22,950	6.0	273.0	249,806	1,093
Others	6,677.6	43.4	48,783	12.8	318.0	136,884	2,323
Irish Government Short dated (having five years or less to run)	186.6	1.2	1,344	0.3	8.9	138,835	64
Others	108.2	0.7	1,791	0.5	5.1	60,398	85
UK Local Authority	288.3	1.9	4,624	1.2	13.7	62,339	220
Overseas Government: Provincial and Municipal	17.1	0.1	1,203	0.3	0.8	14,190	57
Fixed interest stock, pref. and prefd., ordinary shares	116.5	0.8	21,364	5.6	5.5	5,451	1,017
Ordinary shares	2,239.0	14.6	279,606	73.3	106.6	8,008	13,315
Total	15,366.2	100.0	381,665	100.0	731.7	*40,261	18,174

* Average of all securities

APPOINTMENTS

Raymond Whitfield joins Stone-Platt

Mr. Raymond T. Whitfield has been appointed a non-executive director of STONE-PLATT INDUSTRIES. He was formerly managing director of the Bristol engine division of Rolls-Royce Limited.

★

Sir Anthony Royle, Conservative MP for Richmond-upon-Thames, has been elected chairman of WILKINSON MATCH. He succeeds Sir Richard Powell, who has resigned as a director and has become the honorary president of the company. Mr. R. Christopherson, Mr. J. Slaven, Mr. T. Vogel and Mr. G. Williams have also resigned from the Board. Mr. Christopherson retains his executive responsibilities for J. John Masters.

Wilkinson Match is a subsidiary of Allegheny Ludlum Industries Inc. of Pittsburgh, Pennsylvania.

★

Mr. G. N. Sloan is appointed an assistant director of C. E. HEATH AND CO. (INTERNATIONAL).

★

Furness-Holder (Insurance), a member of the Furness Withy Group, states that FURNESS-HOULDER (LONDON) has assumed responsibility for all business previously undertaken by Furness-Houlder (Reinsurance Services) and Furness-Houlder (Overseas Insurance Services).

The reconstituted Board of Furness-Houlder (London) is now Mr. R. W. Pulford (chairman), Mr. R. B. Hutton (deputy chairman and managing director) and Mr. B. K. Winstone (managing director).

Directors are Miss J. Chipping, Mr. M. T. Blazek, Mr. G. E. H. Burr, Mr. N. B. Caplin, Mr. R. Chellew, Mr. G. N. Coles, Mr. A. Davis, Mr. N. H. Duff, Mr. J. L. H. Evans, Mr. J. K. V. Hardacre, Mr. F. G. Hornibrook, Mr. G. D. Patterson, Mr. M. R. Pummell, Mr. E. J. M. Sandison, Mr. R. S. Stringer, Mr. D. E. Tennant and Mr. A. C. W. Webb.

Mr. M. W. Dawson, Mr. G. S. Handscombe and Mr. H. J. Hicks are assistant directors and Mr. D. T. Haine, company secretary.

★

Mr. D. Smythe, operations director of UNITED LUBRICANTS (FUEL OIL) and UBH (MECHANICAL SERVICES), has become managing director of both concerns. He succeeds Mr. E. Paynter, who is now deputy chairman of all subsidiaries of United Guarantee (Holdings) and group marketing director.

★

Mr. A. D. Spencer has joined the Board of AMOS HINTON AND SONS in a non-executive capacity for an initial period of one year. He retired recently as executive vice-chairman of the Boots Company.

★

Mr. Graham Taylor has joined SKETCHLEY as managing director, cleaning division, and has been appointed to the main Board of the company. He has been a director of ASDA Stores since January 1973.

★

Mr. Charles Fraser has been appointed to the Board of GROSVENOR ESTATE COMMERCIAL DEVELOPMENTS. He is a partner in W. and J. Burness W.S., and a director of United Biscuits (Holdings) and of the Scottish Widows' Fund and Life Assurance Society.

★

Mr. Barry Hodgekins has been appointed deputy managing director, Mr. Roy Jenson sales director, and Mr. John Robinson engineering director of CONE-BLANCHARD MACHINE TOOL COMPANY, a member of the Oerlikon Group.

★

Mr. Bryan M. Casey has been appointed West End branch manager, NATIONAL PROVIDENT INSTITUTION.

★

UNBRAKO, of Coventry, has made the following appointments. Mr. A. M. Dodd becomes director of product engineering; Mr. John M. Fletcher, sales director, distribution, Europe; and Mr. Don Thompson, sales director OEM products. The company is a subsidiary of SPS Technologies Inc.

★

Mr. J. T. Jackson has been appointed to the new position of technical director, ORION AIRWAYS. He was previously technical manager.

★

Mr. J. H. Irani has been appointed group financial controller of MANSON FINANCE TRUST. He was previously with Land Securities Investment Trust.

★

Miss Annie Dickins has been appointed to the Board of PET PLAN, a veterinary insurance company underwritten at Lloyds. She will have particular responsibility for liaison with the veterinary profession. Mr. Jerry Brownlee has become general manager of the company's new specialist division. He was previously with Dog Breeders Insurance.

★

Dr. Alexander Waldstein has been appointed senior manager, non-recourse finance, of the London branch of CREDITANSTALT-BANKVEREIN.

★

Mr. Brian G. Hill has joined the Board of the SCOTTISH LIFE ASSURANCE COMPANY. He is a director of Turner and Newall and chairman of Ferodo, Payen International and Coopers Filtration.

OVERSEAS

Mr. Robert L. Plancher has been elected vice president and controller and has been elected to the Board of AMERICAN BRANDS INC. He is a director of Gallaher, its subsidiary in the UK, and of the Franklin Life Insurance Company, a financial services subsidiary in the U.S.

★

Dr. Walter F. Bauer, INFORMATICS INCORPORATED president and chief executive officer, has become chairman. Mr. Vincent N. Marafino, senior vice president/finance and member of the board of Lockheed Corporation, and Mr. Erwin Tomash, founder, former chairman of the Board and president of Dataproducts and currently member of that firm's Board of directors have been made directors. Dr. Bauer replaces Mr. Carleton D. Burtt, executive vice-president, investment affairs, The Equitable Life Assurance Society of the U.S. Mr. Burtt resigned as chairman of the Board following The Equitable's sale of its approximately 60 per cent common stock holding in Informatics earlier this year.

★

Mr. Robin Ludlow, a director of Boyden International has been appointed vice president of BOYDEN INC.

★

Mr. Roy F. Tanner has become president and chief executive of HAWKER SIDDELEY CANADA INC., in place of Mr. Eric J. White, who has retired but remains a director. Mr. Tanner replaces Mr. White as a director and chairman of Dosco Overseas Engineering, Hollybank Engineering Company and Can-Car Inc. Mr. Tanner also becomes a director of CGTX Inc. and of Hawker Siddeley Rail. Mr. David J. Caple has been appointed general manager of the Orenda division of Hawker Siddeley Canada Inc and becomes a director, chairman and president of Orenda (International), succeeding Mr. Tanner.

★

Mr. Anthony T. Enders has been named a general partner of BROWN BROTHERS HARRIMAN AND CO., private bankers, U.S. Mr. Michael W. McConnell, Mr. William H. Moore III and Mr. Donald B. Murphy have been appointed senior managers. The position of senior manager is a newly-created post.

★

Mrs. Eleanor Ling has been appointed a general manager of JARDINE MATHESON AND CO., Mrs. Lingfi as reported yesterday.

The New Brunswick Electric Power Commission

Issue of $40,000,000 U.S. 9% Notes due January 15, 1983.

Notice of Redemption for Sinking Fund Purposes

The Prospectus dated January 16, 1976 calls for the redemption of $2,000,000 principal amount of Notes of January 15, 1981.

As explained in the Prospectus and shown on the Notes, purchases of $2,000,000 principal amount of Notes were made on the open market. The Notes were cancelled and destroyed with certificates of destruction therefor retained by the Fiscal Agent, Bank of Montreal Trust Company, 2 Wall Street, New York, N.Y. 10005.

With the purchase of $2,000,000 principal amount of these Notes and subsequent cancellation, the Sinking Fund condition set out in the Prospectus has been met and no sinking fund call will be made on January 15, 1981.

THE NEW BRUNSWICK ELECTRIC POWER COMMISSION

R.D. Brown
Treasurer

Notice of Adjustment to Conversion Price

On December 15, 1980, the Board of Directors of MGF Oil Corporation, Guarantor of 8¾% Convertible Subordinated Guaranteed Debentures Due December 1, 1995 ("the Debentures") issued by its wholly owned subsidiary, MGF International Finance N.V., declared a two-for-one stock split, to be effected in the form of a 100% stock dividend, for which the payment date is January 19, 1981 to shareholders of record on January 5, 1981.

The Conversion Price of the Debentures will be adjusted on the record date from $31.75 per share to $15.88 per share.

MGF Oil Corporation
By: R. O. Major, President

Dated: January 5, 1981

APPOINTMENTS

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Ideal candidates should not be less than 40, be professional accountants and have had extensive commercial experience in an engineering environment and practical experience of computerised accounting systems. Those with responsibility for formulation and execution of corporate financial policies and borrowing in a large public sector organisation involved in such fields as communication, transportation or public utilities would have a distinct advantage. The successful candidate will be expected to demonstrate high qualities of leadership in the planning, delegation, co-ordination and control of all financial activities.

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At present, salaries tax cannot exceed 15 per cent of income.

Applicants should send full personal particulars, enclosing a recent photograph. The information should be endorsed 'CONFIDENTIAL' and be sent to I.G. Ellis, P.O. Box 97, Chester CH1 3UH, to arrive on or before 20th January 1981.

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The Senate invites applications for a new Readership in Petroleum Engineering in the Department of Mineral Resources Engineering at Imperial College with effect from 1 April 1981. This post is funded by a number of major companies in the UK petroleum industry.

In addition to a good degree in engineering or science applicants should have recent technical experience in the international petroleum industry. A familiarity with modern off-shore production systems would be of particular interest.

The Reader in Petroleum Engineering will be expected to develop and lead one or more fields of relevant research in addition to responsibilities for undergraduate and postgraduate courses within the Department as well as maintaining and developing contacts with the petroleum industry.

Applications (10 copies) should be submitted to the Academic Registrar (FT), University of London, Malet Street, London WC1E 7HU, from whom further particulars should first be obtained, not later than 30 January 1981.

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COMPANY NOTICES

Notice to Holders of European Depositary Receipts (EDRs) in
NIPPON SHINPAN COMPANY, LIMITED

Further to our notice of September 15, 1980, EDR holders are informed that Nippon Shinpan has paid a dividend to holders of record September 30, 1980. The interim cash dividend payable is Yen 3.00 per Common Stock of Yen 50.00 per share. Pursuant to Clause 8 of the Deposit Agreement the Depositary has converted the net amount, after deduction of Japanese withholding taxes, into United States Dollars.

EDR holders may now present Coupon No. 4 for payment to the undermentioned agents.

Payment of the dividend with a 15% withholding tax is subject to receipt by the Depositary or the Agent of a valid affidavit of residence in a country having a tax treaty or agreement with Japan giving the benefit of the reduced withholding rate. Countries currently having such arrangements are as follows:

Arab Republic of Egypt	Finland	Romania
Australia	France	Singapore
Belgium	Ireland	Spain
Brazil	Italy	Sweden
Canada	Malaysia	Switzerland
Czechoslovakia	The Netherlands	United Kingdom
Denmark	New Zealand	United States of America
Federal Republic of Germany	Norway	Zambia
	Republic of Korea	

Failing receipt of a valid affidavit Japanese withholding tax will be deducted at the rate of 20% on the gross dividend payable. The full rate of 20% will also be applied to any dividends unclaimed after April 30, 1981.

Amounts payable in respect of current dividends:—

Coupon No. 4 EDR denomination	Gross Dividend	Dividend payable less 15% Japanese withholding tax	Dividend payable less 20% Japanese withholding tax
1,000 shares	U.S.$14.40	U.S.$12.24	U.S.$11.52
100 shares	U.S.$ 1.44	U.S.$ 1.22	U.S.$ 1.15

Depositary:
Citibank, N.A.
336 Strand, London, WC2R 1HB
January 6, 1981.

Agent:
Citibank (Luxembourg) S.A.
16 Avenue Marie Thérèse

ROTHSCHILD INVESTMENT HOLDINGS B.V.
£12 MILLION 14¼ PER CENT GUARANTEED BONDS DUE 1990

Holders of the above Bonds are advised that Rothschild Investment Holdings B.V. has changed its name to J. Rothschild Investment Holdings B.V. as from 29th October, 1980, and that Rothschild Investment Trust Limited, the Guarantor of the above Bonds, has changed its name to RIT Limited as from 24th October, 1980.

It is not proposed to call in the Bonds of the above issue for over-stamping the changes of name.

J. ROTHSCHILD INVESTMENT HOLDINGS B.V.
6th January, 1981.

PUBLIC NOTICES

COMPETITION ACT 1980
NOTICE UNDER SECTION 3 (2) (b)
ARTHUR SANDERSON & SONS LIMITED

Under section 3 of the Competition Act 1980 the Director General is to investigate
(a) the criteria of Arthur Sanderson & Sons Ltd. for determining whether to supply fabrics to retail outlets and whether the application of those criteria, or any of them, is a course of conduct which amounts to an anti-competitive practice; and
(b) the terms upon which Arthur Sanderson & Sons Ltd. supplies fabrics to wholesale outlets, in so far as those terms relate to the supply of fabrics to retail outlets, and whether supply on those terms, or any of them, is a course of conduct which amounts to an anti-competitive practice.

The goods to which the investigation is to relate are fabrics. If you have any information which would help the Director General, please write to:
Office of Fair Trading
Branch CP4
Chancery House
53 Chancery Lane
LONDON WC2A 1SP.

Your letter should arrive as soon as possible if it is to be taken into account in the enquiry.

DEVON COUNTY COUNCIL

Received applications totalling £56m for £5m bills on issue. The highest tender accepted was 13½%.

COURSES

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February 3-4 1981

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MARLBOROUGH, 6, Albemarle St., W1. JOHN WONNACOTT First London Exhibition 17 Dec.-31 Jan '81. Mon-Fri. 10-5.30, Sat. 10-12.30.

MATHAF GALLERY, 24, Motcomb Street, London, SW1. 235 0010. Specialists in 19th C. and Contemporary Paintings of ARABIA.

WHITECHAPEL ART GALLERY, Whitechapel High Street (Tube Aldgate East). 01-377 0107. Until 11 Jan. MAX BECKMANN: THE TRIPTYCHS (in association with Arts Council); GEORGE BASELITZ: MODEL FOR A SCULPTURE. Sun-Fri. 11-6. Cl. Sat. Adm. Free.

THE PARKER GALLERY, 2, Albemarle Street, Piccadilly, W1. Exhibition of Old Marine, Military and Sporting and Topographical Prints and Paintings of Ships Models.

UK NEWS — LABOUR

Workers offer pay freeze in return for tinplate jobs

By ROBIN REEVES, WELSH CORRESPONDENT

AN ATTEMPT to persuade the British Steel Corporation to reconsider its tinplate job redundancy proposals in its survival package in exchange for a voluntary pay freez for a year, was launched yesterday by shop stewards at all three Welsh tinplate plants.

This follows a meeting in Swansea at the weekend attended by over 50 shop stewards of the Transport and General Workers' Union, which represents over 6,000 of the 8,000 workers in BSC's tinplate group.

They rejected BSC's present proposal for concentrating the bulk of the tinplate retrenchment in a single works, Velindre, near Swansea, with over 1,000 redundancies among production workers at the plant.

The scheme of Mr. Ian MacGregor, BSC's chairman, envisages Velindre being reduced to six shifts a week, while the other two BSC tinplate works, Trostre, near Llanelli, and Ebbw Vale, would be maintained at 20 shifts a week.

The shop stewards want a different approach and agreed to campaign this week to secure the formal backing of their respective workforces, before another joint meeting on Sunday. Their scheme would involve a more even sharing of the workload among the three plants and fewer redundancies.

In exchange, BSC would get an agreement from the men to forgo the 7 per cent wage increase the Corporation proposes should take effect from next July.

The shop stewards say the MacGregor tinplate proposals are bound to lead to heavy losses at Velindre, which would undermine the competitive position of all BSC's tinplate business, and thus ensure the loss of one or more works and more redundancies in the further retrenchment threatened in six months.

In the meantime, the TGWU's tinplate members are being urged to reject the MacGregor plan in BSC's postal ballot.

Mr. Derek Driscoll, a member of the union's national executive and chairman of the shop stewards meeting, said the ballot was a nonsense. Even if all 8,000 workers in the tinplate group voted "no," they would be hopelessly outnumbered in a poll of BSC's 130,000 employees.

He stressed that the shop stewards' alternative to BSC's proposals did not cut across the Transport Union's national policy.

Parker plea to avoid rail action

By Philip Bassett, Labour Staff

SIR PETER PARKER, British Rail chairman, is to appeal directly to the executives of BR's two manual unions this week to lift their threats of industrial action over the level of the industry's financing to allow a request for further Government aid to go ahead.

The appeal for more funds has been suspended because of the warnings—in particular the more immediate threat from the train drivers' union ASLEF—and the expected unofficial action by ASLEF drivers on Southern Region.

This action, coupled with suspensions of drivers by the management, severely affected services on the London-Hastings line yesterday. Services are likely to be similarly disrupted today.

Sir Peter will meet the executive of the National Union of Railwaymen tomorrow and of ASLEF the following day.

He will again spell out the serious financial position facing the industry, and will stress that an appeal itself to the Government for further funding, let alone its chance of success, is being jeopardised by the threats.

His address to the ASLEF executive, the more crucial of the two meetings, is unprecedented. The executive is expected to consider again today its threat of official industrial action this month over financing, as well as the unofficial action on Southern Region.

Fresh talks today to save P & O ferry

BY PAULINE CLARK, LABOUR STAFF

A FRESH attempt to save the P & O Liverpool / Belfast ferry service from closure will be made in Liverpool today, when employers and seamen's leaders discuss how to restore a "viable and reliable service" on the route.

Hopes also rose yesterday of averting wider industrial action by seamen after union leaders formally requested arbitration talks to help solve their national pay dispute with shipping employers.

The new move in the dispute with P & O, over its threat to end the Liverpool/Belfast service because of industrial action on pay by seamen, followed talks in London yesterday between the company and National Union of Seamen officials, including Mr. Jim Slater, general secretary.

The two-hour meeting was followed by a joint statement expressing hope that "a formula can be found for an early resumption of the service."

Mr. Ian Churcher, chairman of P & O Ferries, said he did not rule out resumption of the service—the only direct passenger shipping link between Northern Ireland and England—by the weekend.

But today's talks in Liverpool, which will be attended by representatives of all six unions with members working for the service, will be preceded by a meeting this morning between Mr. Churcher and Mr. Giles Shaw, Northern Ireland under-secretary.

The company said yesterday it did not yet know what the discussions would cover.

Three of the company's cargo vessels—the 6,000-ton Nor'sea (formerly the Ibex) and the Buffalo in Liverpool and the Puma in Larne—were blacked for 48 hours yesterday by seamen, while the sit-in aboard the Ulster Queen ferry continued in response to P & O's threat to close the service if the dispute is not settled.

Metro men back at work

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

BL CARS was optimistic last night that it could make up the six days' lost production of Metros with the ending of the Longbridge strike. The company had warned the stoppage could destroy the volume car business.

The 1,500 men who walked out in support of eihgt employees dismissed for their alleged role in a near riot at the Birmingham plant resumed normal working yesterday pending the outcome of a joint union-management inquiry into the dispute.

The dispute cost BL about 5,000 vehicles, worth £15m at showroom prices, but stocks are satisfactory and the company hopes to make up the lost supply.

The inquiry held its first meeting at Longbridge yesterday

John Lloyd studies the progress of mergers among TUC affiliates hit by falling membership

Unions forced into wedlock

THE RECENT initiation, or resumption, of serious talks on merger among unions in the rail and print industries and in the Post Office, highlights a series of arranged marriages—many of them caused by the poverty of one or both of the partners—which is likely to be a feature of 1981.

The relative urgency which often attends these usually leisurely talks is due to the recession, which is now hitting union membership (as reported in the December 29 issue) and thus unions' income.

While costs are the driving and urgent factor, other elements play a large part. Political complexion is important, as are the effects of technological change and the recession-accelerated shift from manufacturing to service industries.

One convenient way of viewing possible mergers among the TUC's 112 affiliated unions is to pick out those unions regarded as "on the market" either because they have said they are or because it is generally recognised that their future depends on a good marriage. In the first category are the Association of Professional, Executive and Clerical Staff (APEX), the Boilermakers' Society and the National Union of Agricultural and Allied Workers.

In each case, the union is of medium size: the last figures show the Boilermakers with 130,000 members, NUAAW with 85,000 and APEX with 151,000 (though all have suffered losses since then). In each case, too, membership is falling and cash needs—particularly in the case of the NUAAW—are pressing. And, finally, in each case, the likely partner is a large union.

The Boilermakers are holding talks with the TGWU, the General and Municipal Workers Union (though its membership rejected such a merger before) and the Electrical and Plumbing Trades Union.

The NUAAW is widely thought likely to throw its lot in with the TGWU which already has some farm-workers, particularly in Scotland, but is keeping its options open by talking to the GMWU and the shopworkers union, USDAW.

APEX is pursuing a more far-reaching option — the possibility of forming a confederation with the GMWU, the EPTU and possibly USDAW. Such an amalgamation would approach the strength of the 1.95m-strong TGWU. The unions are all broadly on the right of the Labour movement; and they span a wide area of unskilled, skilled and white-collar workers.

But progress has been reduced to a token crawl by the bitter quarrel over the Isle of Grain construction site, which saw the EPTU and the GMWU on opposite sides.

In the category of those unions which, it is felt, ought to come in from the cold, are the white-collar engineering union, AUEW-TASS, the Engineers and Managers Association (EMA), and the Union of Communication Workers (UCW).

TASS, with over 200,000 members at last count, is faced with the same redundancy problems which afflict all engineering unions. This is exacerbated by its quarrel with the other three sections of the AUEW over the terms under which all four sections, each very largely autonomous, can form a full union.

Briefly, TASS—which is Left-dominated — fears that the terms under which a merger was proposed would bring it under the political control of the Right-dominated, and much larger, engineering section. These fears have led it to threaten legal action.

The other three sections for their part are likely to institute legal action of their own to attempt to remove the bar which the Certification Officer, who oversees trade union mergers, has placed on at least a three-way amalgamation. Many now assume TASS will not stay within the AUEW camp, and foresee instead a move towards either the Association of Scientific, Technical and Managerial Staffs, or the TGWU.

The Engineers and Managers' Association faces a sharp squeeze on the services it can offer its 48,000 members if it remains independent. A merger with the EPTU, whose white-collar section recently absorbed the 10,000-strong Steel Industry Management Association, is thought likely, although the National and Local Government Officers' Association is reportedly interested, too.

The Union of Communication Workers, with the overwhelming bulk of its strength among postmen, faces a sharp attack on membership levels as the postal service sheds manpower in the years ahead.

It hopes to persuade the Post Office Engineering Union to join it in a new federation with independent bargaining arrangements for the two when the Post Office is formally split. But the POEU appears less enthusiastic.

A third area of likely movement is in these sectors where mergers make industrial sense—as the railways, the print industry and the steel industry.

The three rail unions—the National Union of Railwaymen, the train drivers' union ASLEF and the white-collar Transport Salaried Staffs Association—have talked of merger for years, but bitter divisions between the NUR and ASLEF over members have soured prospects.

However, fresh attempts, co-ordinated by the TUC, are now being made to bring them closer together: money worries have concentrated minds, particularly those on the ASLEF executive.

Hopes for a rationalisation of the steel unions were dented when the managers, disturbed by the steel strike in early 1980, joined the electricians rather than the main steel union, the Iron and Steel Trades Confederation.

The print unions have been talking about getting together for decades; indeed, some years ago, the two general unions—NATSOPA and SOGAT—did join up, only to fall apart again. Multilateral talks are on once more, and the National Graphical Association—the main craft union—has formed a joint committee to talk about manning and technology—a move which might presage a closer relationship.

FINANCIAL TIMES SURVEY

Tuesday January 6 1981

Arab Telecommunications

The almost uniform desire by Arab governments to improve and expand their telecommunications systems has coincided with a technological revolution in the equipment available. Better systems — installed by European, U.S. and other manufacturers in fierce competition for contracts — have helped to facilitate political, commercial and social changes in the region.

Reliable networks are vital

By Roger Matthews

THE SPEED at which oil has thrust the Arab world into the centre of world politics has set massive challenges for the producing countries. In the space of little more than four decades they have shed colonial tutelage, struggled to establish some *form of independent political* legitimacy, become vastly wealthy, faced the sudden impact on their social structures of Western culture and are simultaneously trying to equip themselves economically for the day when the oil runs out.

Since the 1973 Arab-Israeli war and the quadrupling of oil prices which immediately followed, the pace of change has been even more dramatic. The Middle East is now watched as intently for any hint of political change as it is fought over commercially for major contracts that will help to offset the cost of oil imports.

Telecommunications span both political and commercial developments. A reliable, efficient telecommunications network is as important to domestic political cohesion as it is necessary to the *building of a sound* infrastructure for economic growth. Equally, it is a potent tool in promoting the probably unrealisable dream of Arab unity or, almost as frequently, of attempting to destabilise an unfriendly regime.

The *almost uniform desire by* Arab governments to improve and expand their telecommunications *systems has coincided* with a technological revolution in the equipment that is available. *Heavy investment* in research and development has produced regional satellite communications, electronic digital switching, microwave links, the ability to extract greater capacity from existing facilities, and for the future a growing convergence between computer technology and telecommunications.

In most cases the cost of these *developments* cannot be justified by the size of the domestic market. Manufacturers, *especially in Europe* and Japan, have to look for export opportunities and as the non-captive sector of the world market diminishes so the competition increases in ferocity.

The attractions of the Arab world as a market are obvious. First, it is still relatively undeveloped—there are on average only three telephones per 100 *inhabitants in the Arab countries* compared with nearly 80 per 100 in the U.S., Sweden and Switzerland.

Second, the oil producers have no trouble in paying for the equipment. Third, the non-oil-producing Arab countries often receive large aid flows to finance such infrastructure developments.

And fourth, there are wide opportunities for putting together political packages which *might involve arms* sales and supply of other strategic material.

It is this political aspect which makes selling to the Arab world particularly challenging. Few if any countries in the Middle East have the technical knowledge to evaluate the competing merits of computerised telephone exchanges such as Britain's System X, Siemens of West Germany's EWSD or Swedish Ericsson's AXE.

Decision

Cable and Wireless in its consultancy role or Arthur D. Little of the U.S. may be retained to advise but invariably it is the Government involved which takes a purchasing decision based *on factors outside the* narrow field of telecommunications. Iraq, for example, is *renowned for demanding the* highest standards of technology and performance.

But tendering companies can never be sure whether this is enough to overcome political bias, just as, given approximate parity of equipment, the lowest bidder cannot be sure of carrying the day. Thomson-CSF of France has apparently found the right formula. Apart from winning other major contracts it has acquired the dominant *position in Iraq, taking two* large contracts and being well set for a third.

In *Saudi Arabia* and *Egypt*, where American competition was much more intense, European companies have also succeeded in winning the major contracts. Ericsson, Philips of Holland and Bell Canada have taken Saudi orders worth more than $3bn, while Cable and Wireless is providing the telecommunications system for the National Guard.

A technician with Bahrain International Communications makes a routine check on equipment

However, it is recent experience in Egypt which best high*lights the challenges and diffi*culties of doing business in the Middle East. Although at least temporarily a net oil exporter, Egypt is notoriously short of hard currency and is heavily dependent on international aid to sustain its 41m population which is being added to by another 1m every ten months.

But Egypt was talking of spending up to $20bn by *the* end of the century to renovate and extend its telecommunications system and, aware of the ferocity of international competition, openly referred to bidders as "donor nations."

The American consortium of Western Electric, General Telephone and Electronics and Continental Telephones appeared to *be well on the way to victory* earlier last year, not least because Washington was providing $2bn a year *in civil and* military aid to the Cairo government.

Surprise

The French were not deterred and Cit-Alcatel flew in a com*plete new E-10 exchange* and installed it in Alexandria. But not even this supremely aggressive salesmanship paid off. In late summer, without going to international tender and to the total surprise of all the bidders, Egypt announced that the $1.8m deal had been awarded to Siemens together with its Austrian counterpart and Thom*son-CSF of France.*

The European consortium was to provide total financing on terms announced by the Egyptians as 5.5 per cent interest over 15 years with a five-year grace period. Industry sources claim that the *financing package is in fact even* more generous to Egypt and they emphasise that the contract was awarded without the consortium having to demonstrate its digital system in operation.

There is no disputing the message for Arab governments as a result of the deal. They are now even more clearly in a position to dictate their telecommunications requirements and to negotiate increasingly attractive financial arrangements. And as the American companies discovered to their cost, without Government-backed soft loans it is going to be very difficult to match the French and German bids.

This must also be a sobering *thought* for British Telecommunications Systems, the industry organisation that was *established to market System* X. Whether it is technically superior to any of the other systems on offer will make little difference. BTS may be correct in believing that coming relatively late to the market will not be a serious handicap, but its chances of winning sales in the Arab world, and probably elsewhere, will depend essentially on the backing it gets from the British government.

Satellite

Britain will also be watching anxiously the selection process for the most ambitious of pan-Arab telecommunications pro*jects—Arabsat*. This is the satellite communications system that is scheduled to become operational *in late 1983 or 1984*. British Aerospace in conjunction with Matra of France and Thomson-CSF have bid for the estimated $150m part of the package which provides for two satellites parked in space over the Middle East and another in reserve on the ground.

Arabsat's potential is considerable. It will provide the 21 member countries of the Arab League with a total of 17,000 telephone lines per satellite and seven television channels. Not only will it speed and expand facilities for inter-Arab communication but will also help to improve the Arab countries' accessibility to the rest of the world.

Arab officials believe that if the delays that have blighted Arabsat from its original conception can be finally overcome it will have a huge impact on the commercial and financial life of the region during the second half of the decade. However, as the same officials admit, it does *rely on a degree of pan-Arab* co-operation that on a political level has been all too sadly lacking during the past few months.

The one confident prediction that can be made is that demand for telecommunications in the Arab world will continue to grow during the 1980s and will remain one of the more attractive areas for companies seeking an export market. But at the same time Arab countries are becoming steadily more sophisti*cated in their approach to* bidders, both in terms of cost and performance.

It is likely that only those countries and companies which can offer the right political and financial mix, almost regardless of technical merit, will prove successful.

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ARAB TELECOMMUNICATIONS II

Growth throughout the region

IRAQ/GULF

JOHN ROBERTS

TELECOMMUNICATIONS IN the Arab world vary from the sublime to the ridiculous, but in the Gulf at least the systems in use are either already good or else are in the process of rapid and comprehensive modernisation.

Iraq is just embarking on a large-scale revamp of its telecommunications network, with Thomson-CSF of France securing a dominant position in carrying out the work. Further down the Gulf, where modernisation was widespread throughout the 1970s, Bahrain has already established itself as the region's communications capital.

Bahrain boasts the region's most sophisticated telecommunications network, the result of a 600 per cent expansion in the last decade. There are at present about 75,000 lines for the Emirates' 340,000 inhabitants, while new lines are being installed at the rate of 1,200 a month. In addition, an Ericsson AXE-10 transit exchange, with a 16,000-line capacity, is expected to come into operation imminently.

But Bahrain's principal concern is with its pan-Arab and international connections. Telex messages to other Arab countries are growing by about 40 per cent a year, and to the rest of the world by 30 per cent a year.

It is scarcely surprising, therefore, that 40 per cent of the State's planned outlay of BD 127.4m ($337m) for the five-year period 1980-84 should be allocated to improving international services.

Bahrain's telecommunications facilities have been a key factor in its development as a regional trade and banking centre and half the country's telephone lines are allocated for business use. The more than 50 offshore banks, 19 commercial banks and assorted money brokers and financial agencies alone contribute about $70m a year to Bahrain's economy, a figure much higher than the cost of the infrastructure on which they are so dependent.

The growth of facilities in the United Arab Emirates has been no less rapid. From just 11,000 lines in 1970, there were more than 100,000 by the start of 1980. But the Emirates' development as a centre for foreign and Arab business in the Gulf was hampered, until last January, by the lack of a unified telecommunications system.

Current development projects should ease this problem. Under a contract with the Emirates' Telecommunications Corporation, Sweden's L. M. Ericsson is to supply and install its digital AXE system in various UAE locations. The order is the first step towards the development of a fully digital telephone network throughout the federation.

Reliability

Ericsson's contract reflects its increasingly important position as a supplier of telecommunications to the Arab world since it first secured the major Saudi Arabian modernisation contracts (in partnership with Philips of Holland and Bell Canada). It also reflects the now proven reliability of Ericsson's sand-proofed equipment.

The UAE's telecommunications investment programme provided for a total spending of about $1.9bn in the five-year span 1977 to 1981, according to an analysis of the market carried out in 1978 by U.S. consultants Frost and Sullivan. In per capita terms, this represents by far the highest ratio of government spending on telecommunications in the entire Gulf region, Saudi Arabia included.

By contrast, in Kuwait, where expansion of the system began much earlier, total spending for the five-year period was estimated at only $170m, while the estimates for Bahrain and Qatar were $70m and $65m respectively.

Thus Kuwait, with a population of about 1.8m, was estimated to be spending less than half as much per capita as Bahrain, although its per capita gross domestic product is twelve times that of Bahrain.

Kuwait is planning a further boost to its system, which provides about 17 telephones per hundred people, compared with Bahrain's 22 phones, and has reached agreement with Bulgaria for the establishment of new telecommunications systems in parts of the Emirate.

Qatar is one example of how Frost and Sullivan's calculations, drawn up before the latest round of oil price increases in 1979 and 1980, may be underestimates.

For the current Moslem financial year, the Government has allocated QR 801.9m ($222m) for all forms of communications, including transport and roads. This represents a 61 per cent increase on last year's spending, and a considerable proportion of the increase is expected to be used on current projects to treble the number of telephone lines from about 25,000 at the start of 1980 to about 75,000 in 1982.

A new digital-based national telephone exchange for calls within Qatar is due to come into operation later this year and a further international exchange should open next year.

Oman, at the entrance to the Gulf, entered the 1970s with virtually no telecommunications equipment. Like Qatar and, initially, Saudi Arabia, it suffered from unco-ordinated purchases of high-technology equipment from a number of suppliers. However, work has started to develop both coaxial cable and microwave radio links to connect the towns and outlying villages of the Arabian Peninsula's second largest State.

In the lower Gulf the improvement of national services is being matched by an overdue improvement of regional services. Although the ability of a Bahraini or Kuwaiti businessman to pick up a phone and dial his colleague in London immediately is legendary, dialling from one part of the Gulf to another can be difficult.

Even more problematical is getting a connection to other parts of the Arab world, notably Egypt or Lebanon. However, Bahrain does already have direct subscriber trunk dialling to Qatar and the United Arab Emirates. Telex facilities in the region should also improve in 1981, with the introduction of Arabic language and lettering facilities.

Undersea

To avoid total dependence on satellite and radio communications, Bahrain, Qatar and the United Arab Emirates have agreed to link to each other by undersea cable. The cable should be in operation by the end of 1982 and will have a capacity of about 1,400 circuits.

There have been suggestions that once the cable is in operation it may be extended northwards, to link the lower Gulf with Kuwait. In any case, it should be a valuable adjunct to Bahrain's current microwave links with Saudi Arabia, and broad band radio links with Qatar and the UAE.

The cable is being laid by the British company, Cable and Wireless, which has long been associated with the region, both as consultant, contractor and systems manager. However, the days when C and W's name was synonymous with almost all Gulf telecommunications are coming to an end. Last June, Oman bought out the C and W shareholding in Omani Telecommunications, while on December 31, 1980, the remaining 20 per cent stake in the UAE's telecommunications authority held by C and W and the British company International Air Radio Limited passed into UAE hands. However C and W still runs telecommunications in Bahrain.

At the head of the Gulf, in Iraq, the dominant foreign name is that of Thomson-CSF. In the past five months, the French conglomerate has secured two major contracts, and almost certainly a third.

In November it signed a FFr 650m ($145.5m) contract with Iraq's Transport and Communications Ministry for the construction of a telephone network to cover Baghdad and other major cities. The network will have 27 electronic exchanges with microwave relays to handle 315,000 lines. Thomson also secured a separate $184m contract last September to provide Iraq with nationwide broadcasting facilities.

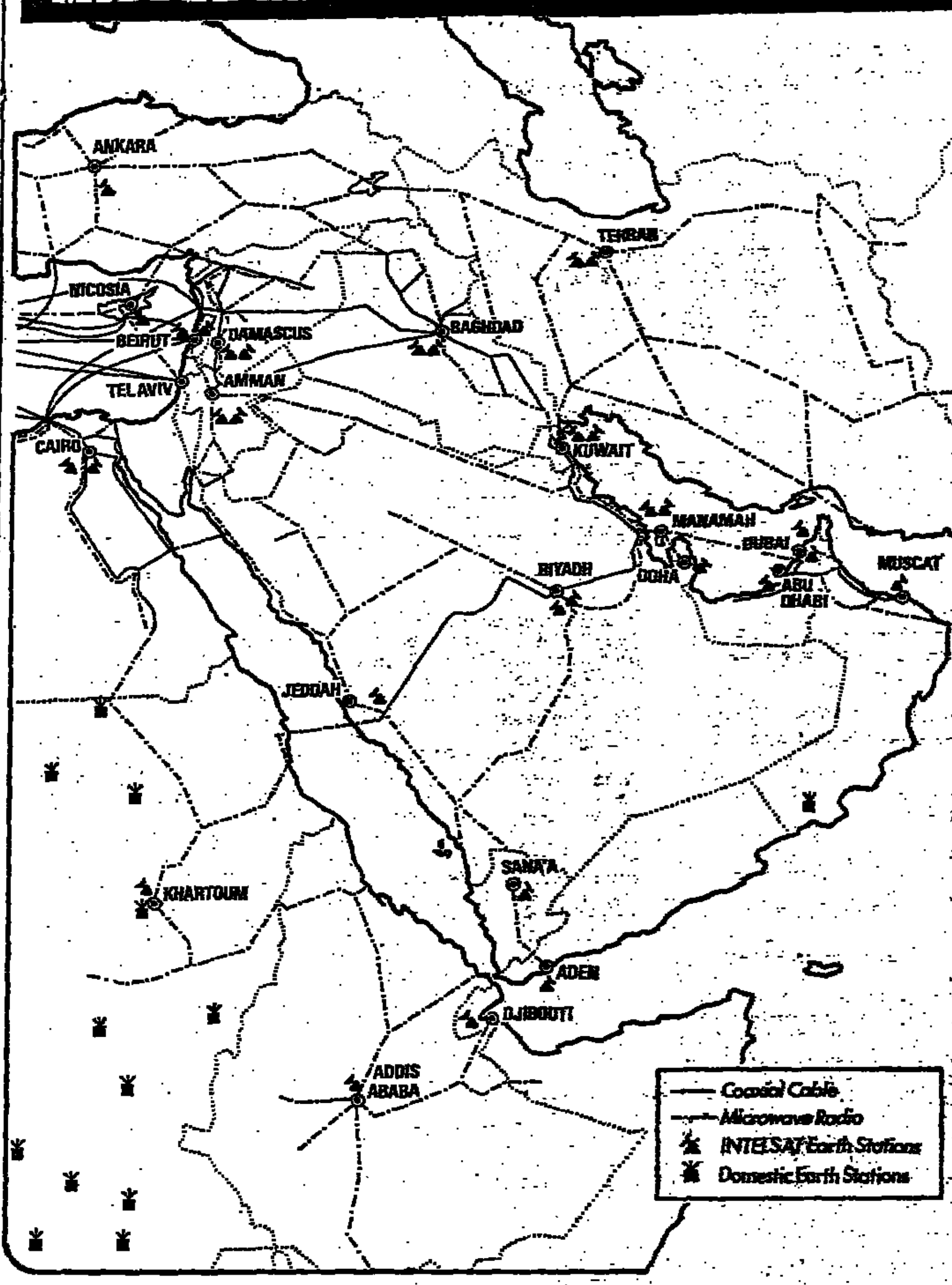
However, Thomson is remaining silent on the biggest contract of all, an FFr 4bn ($968m) project to set up an electronics manufacturing industry.

Of all the Arab Gulf States, only Iraq has formulated a national development plan for electronics production, and this is directly related to its wish to develop its own telecommunications industry. Two thirds of the $380m in contracts publicly announced by Iraq in the third quarter of 1980 concerned telecommunications. The actual deal with Thomson, believed to have been effectively concluded last August, includes the provision of plant and buildings, machinery, parts, education of technicians and specialist training in order to provide Iraq with its own electric and electronic manufacturing industry.

The contract itself is for just four to five years, but Thomson is expected to secure further contracts as the project develops. Although the key factors which persuaded Iraq to reach agreement with Thomson rather than with the main alternative bidder, the UK electronics company Plessey, are generally thought to have been the much stronger French government commitment to the Thomson bid than that offered by the British, Thomson's past experience in Iraq was also useful.

The French company secured $411m in contracts in Iraq between late 1978 and the end of 1979, including deals which involved the training of Iraqi technicians.

MIDDLE EAST TELECOMMUNICATIONS



Expensive lure of the Space Age

TELEPHONES/TELEX

MARK MEREDITH

TELECOMMUNICATIONS HAS its own set of economic yardsticks. The rate at which people telephone or telex each other, for example, is considered by the industry to be a leading economic indicator.

Telephone and telex calls slacken off usually before a period of recession as inquiries and trade drop off. When the lines start to hum again, with exporters hunting international contracts and bankers shifting funds, the telecommunications business predicts an upturn in the economy.

Another phenomenon in telecommunications economics has recently started to apply to the Middle East: the "maturing" of traffic growth. As developing countries establish their industrial base, the rate of telephone and telex traffic growth declines to levels more commonly associated with industrialised countries. In the case of Kuwait, this has meant a drop from 40 per cent in 1970 to 16 per cent at present.

There is, by no means, a uniform maturing throughout the region. Saudi Arabia's regional traffic growth rates in telephone and telex over the next five years are expected to be 35 per cent and the United Arab Emirates 25 to 27 per cent. But these rates too are expected to flatten out by the end of the decade.

So room for expansion in telecommunications carriers throughout the region is there. Another maxim of telecommunications economics says that supply creates demand—put in more telephones and telexes and subscribers snap them up and want more. Telecommunications is very much part of economic development.

But expansion is being given a lot more thought. Not only is a lot of money at stake with a decision to build a satellite earth station or lay a cable, but more attention is being paid to regional co-ordination and consultation. There is too an increasing amount of politics involved in such a prestige industry.

Taking the supply-creates-demand maxim in its historical application to the Middle East, the first telephone and telex lines were shortwave radio transmissions over the vast areas of desert and emptiness between the region's main centres. Many of these links still exist but radio communication is bedevilled by atmospheric variations and its capacity to take a lot of traffic is limited.

Cables were then laid between main centres, for example between Taif and Riyadh in Saudi Arabia, or between Baghdad and Kuwait. Modern telephone cables can carry up to 5,520 circuits and by using computers one telephone circuit on a cable can be "multiplexed" or split into more than 30 telex links.

Other more advanced radio systems were then developed using, for example, microwave, between relatively close territories such as Bahrain and Saudi Arabia. One of the most effective inter-regional systems in the Gulf has been tropospheric scatter transmission; by which signals are bounced from one earth station off the troposphere and down to another earth station. Cable and Wireless pioneered the system in the Gulf at a time when the pressure for improved telecommunications was intense.

Not only were more telephones and telexes required but the development of offshore banking and service industries meant also the introduction of data and facsimile transmissions. But the "tropo" system has its limitations, with each earth station able to carry a maximum of 132 circuits. When traffic reaches saturation many states of the region have to turn to international communications satellites, such as Intelsat.

Uneconomic

"Everyone wants to be seen in the Space Age," commented one critic in the industry on the wholesale expansion of the use of international satellites. It is a costly business renting circuits on Intelsat and very costly building an earth station. But when the international satellites start being used in the region to carry intra-regional traffic—traffic between Arab countries—it becomes uneconomic. The tariffs on the satellites are the same whether a call is between, say Bahrain and London or between Kuwait and Qatar. The shorter the actual route of the call the less it is cost-effective.

Up to 96 per cent of all the calls Qatar placed through a satellite are within the region. The same applies for 43 per cent of Bahrain's traffic, 37 per cent of the United Arab Emirates' and 35 per cent of Kuwait's according to industrial estimates.

One obvious solution will be Arabsat, the Arab world's own satellite, due to be launched in 1983. Arabsat was set up by the members of the Arab League and is intended to be positioned in space somewhere east of Cairo to cope with the growing demand for improved telecommunications within the Arab world.

Until Arabsat is launched the growing international traffic relying on existing satellites is going to be costly. At present much of the efforts to improve terrestrial systems are being concentrated on greater use of cable and microwaves.

One such project is the proposed $40m cable between Bahrain, Qatar and the United Arab Emirates. But despite a proposed 1982 service date for the cable, agreement between the three States has not yet been finalised. Kuwait may also be linked later.

Much of the overall guidance for the region comes through the International Telecommunications Union, an affiliate of the United Nations, which has produced a master plan for the Middle East and Mediterranean. The plan has been the work of experts in the fields of traffic, statistics, international switching, transmissions systems, satellite communications, broadcasting and tarrifs.

Work within the plan is divided into sub-regions and among its accomplishments have been map work for a microwave link between Saudi Arabia and North and South Yemen. Another sub-region has launched a study of a microwave link across the Red Sea between Egypt and Saudi Arabia. Also under discussion are proposed cable links between Damascus, Amman and Medina.

Key jargon within the telecommunications trade is the term "network management," a concept important for those industries interested in equipment exports as well as for the post offices of the region. Good network management calls for a fallback position in terms of routes which international regional and domestic telecommunications can take.

As important is a fallback in the system of telecommunications used in times of emergency or severe breakdown. For example, if the circuit between Bahrain and London by satellite is cut, can calls be routed through Saudi Arabia's circuit by microwave? If a cable fails in Britain will a radio link be able to take up some of the strain?

Computerised system forges ahead

SAUDI ARABIA

JAMES BUCHAN

ON DECEMBER 13 in Saudi Arabia a little ceremony took place that is important in terms of both the creation of a modern State and the fiercely-competitive international telecommunications market. That day, the joint venture of L.M. Ericsson of Sweden and Philips of the Netherlands completed the first stage of an immense enterprise to provide Saudi Arabia with a computerised telephone system.

The machinations leading to the award of the £1.7bn contract, at the end of 1977, to the joint venture and Bell-Canada—the process took two years—caused other telephone executives to shake their heads in horror. Yet in the course of the three-year contract, horror gradually has given way to admiration and envy.

During those three years, the joint venture and its patient and industrious subcontractor, Dong Ah of South Korea, have bulldozed their way through bureaucratic thickets and a quagmire of land use policies to install 496,000 new inter-city telephone lines through their AXE and PRX Stored Programme Control exchanges. They have also modernised the 200,000-odd ARF exchange lines Ericsson has installed since the early 1960s. They have completed their task on time and within the budget, although Ericsson officials in Sweden readily admit that the price was in their favour.

The two exchanges, Ericsson's AXE and Philips' PRX, were chosen against competition from North American systems, and they appear to be reasonably well-suited to the Saudi environment. Since Saudi money is in greater supply than Saudi labour, the computerised system with its light demands on manpower has clear advantages.

But whatever the benefits in technology, the speed with which the system was installed — though only three-quarters of the exchange buildings have been finished because of fearsome competition for the land —has impressed the Saudis and the Ministry of Post, Telegraph and Telephones.

So far, about SR 7.5bn (£962m) has been spent on switching and exchanges. Of equal moment for the future is the Kingdom's all but insatiable appetite for telephone lines. The joint venture already has received two supplementary orders—for 300,000 new lines and additional plant to bring the total number of working lines in the country to 1m by the end of 1982.

In the Saudi Government's Third Five-Year Plan, which runs until 1985, the Ministry of PTT apparently wants another 220,000 lines and the joint venture is in an unassailable position to supply them.

According to the joint venture's estimates, Saudi Arabia now enjoys a telephone line density of 12.5 per hundred of population. While estimates of the country's population are notoriously tricky — there are estimates as low as 6m including immigrants — this does not seem very great in terms of a developing country with the aspirations and the cash of Saudi Arabia. In Europe, the ratio is more than 30 per cent.

None the less, the Saudi ratio is distorted by the far-flung nature of the country, and its 500,000 nomads, who have little regular use for the telephone; the ratio in the major towns would be much higher. Yet consumer demand is not wanting. Saudis complain about the time needed to get a telephone installed although Saudi Telephone, the company managed by Bell - Canada, is now putting in about 10,000 a month.

In 1978, a plan was drawn up proposing 2.2m lines by 1991, a figure now regarded as grandiose to a degree. A better estimate would be of about half a million new lines to take the system into the 1990s without strain.

The network for trunk calls is also being expanded. In the course of the Second Plan, a civilian trunk network based on 300 microwave towers was installed at a cost of $500m by Western Electric, the contracting arm of A.T. and T. Under the Third Plan, the microwave network will be extended to other Gulf countries—Bahrain and Qatar have been contracted —while spurs will be built to the vast new garrison town at Hafr Al Batin in the north-east and eastwards better to serve the Eastern Province—where Aramco, the oil company, also operates its own service. Television will be brought into the microwave system.

There is also a 1,200 channel east-west coaxial cable between the major towns, laid by Sirti of Italy. This will be extended to the island of Bahrain, while a north-south spur will be laid from the garrison town of Tabuk down to Medina and the east-west axis.

A new ground station is to be built at Jeddah and that at Riyadh expanded. The 15,000 telex lines installed by the Hajji Abdullah Alireza group and Fredericks Electronics Corporation of the U.S. will be equalled in a new contract.

Another growth area has been in security, where the National Guard is spending upwards of [illegible] on a communications system from Cable and Wireless while the rival services of the Armed Forces and the Interior Ministry are also developing internal networks.

هكذا من الأصل

Master plan to improve poor telephone service

EGYPT

MARGARET HUGHES

A FEW weeks ago some 1,200 telephone lines were suddenly out of action in northern Cairo. The cause, a broken sewage pipe. Telecommunications officials assured subscribers that the lines would soon be fixed—in a week they claimed, though three is the norm. They also urged subscribers to disregard any unusual smells emanating from their telephone receivers.

This was yet another example of the fact and fiction which go hand in hand with Egypt's notorious telephone system. All too frequently lines are out of service due to sewage problems or the effects of an over-enthusiastic pick-axe wielder or bull-dozer operator.

Those who have been battling with the system for years affirm that there has been definite improvement, particularly over the past year or so. But for the less seasoned subscriber it remains one of the most time consuming and frustrating aspects of life in Egypt—ask any businessman. More than that, it is often said that but for its poor communications system Cairo could have replaced Beirut as the commercial centre of the Middle East after the civil war broke out in Lebanon.

The Egyptian Government, having finally recognised the overwhelming need to overhaul the country's telecommunications network, commissioned Continental Telephone International (CONTEL) of the U.S. to evaluate the existing network and make recommendations for establishing a fully comprehensive system.

Constraint

The $8m study financed by U.S. aid was completed in April 1978, when CONTEL submitted a master plan for a 20-year development programme. Its recommendations were largely accepted by the Egyptian Government and its telephone authority ARENTO (Arab Republic of Egypt National Telecommunications Organisation) which is now attempting to implement them, the main constraint being finance.

The master plan advocated intensive rehabilitation of the present system to provide a usable service for existing subscribers together with a massive increase in the number of lines with the aim of meeting forecast demand by the end of the 20-year programme. The plan envisaged the addition of 3.98m new lines by 1999, bringing the total in service to 4.33m together with a 4.59m gain in switching (exchange) capacity at an estimated cost of £12.1bn ($18bn). The consultants emphasised that for the programme to be effective it was essential to renovate the existing network making the first priority the improvement of the Cairo system.

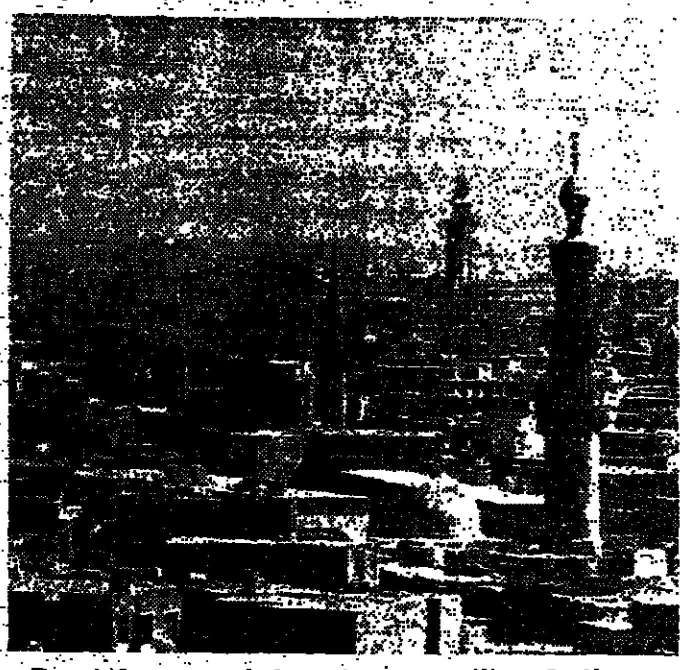
The CONTEL study judged that the existing system, although it does not meet demand (about 375,000 lines against a demand of approaching 1m), was in theory capable of providing an acceptable grade of service for the subscribers. That it rarely did so was due to poor maintenance, faulty workmanship and inadequate stocks of spare parts.

As many as 50 per cent of available lines could be out of action at one time while the successful first attempt call rate on lines in service was often as low as 24 per cent. Both factors seriously overloaded the system as subscribers kept trying to make calls on a limited number of lines. This was compounded by the lack of any co-ordinated system of fault reporting so that it could take months to report, then respond to, and finally correct a fault. Repair vehicles and equipment were antiquated. Lack of spares was a serious problem throughout the system—this was why half the vehicle fleet was off the road and was the main reason for switching equipment being out of order.

The network was found to have faults in all sectors but the biggest failure rate by far was in the cable system, which accounts for some 60 per cent of breakdowns. This is partly because of the age of the cabling coupled with lack of maintenance and also the type of cable in use. Lead-sheathed paper insulated cable, often cracked, has been laid in conditions where the water table has been rising for the past 30 years or so.

First evidence of the Egyptian Government's commitment to the master plan was the award, in September 1979, of a $1.8bn contract to a European consortium comprising Siemens of West Germany, Siemens Austria and Thomson-CSF of France. The consortium is to install about 500,000 new lines and associated equipment and exchanges. It will also rehabilitate the existing network, losing some 100,000 lines in the process, to provide some 775,000 lines in service in 1984, when demand is forecast to be over 1.5m. (The number of lines currently available is variously given as anything between 350,000, and 420,000.)

The $1.8bn contract is some $500m less than the investment envisaged under the master plan and the number of new lines is some 70,000 fewer than were indicated, but it will still more than double the number of lines available. Although there may well be delays in undertaking a project of this magnitude in a developing country it is generally reckoned that achieving even 60 to 70 per cent of the target by the scheduled date should produce a spectacular improvement.



Egypt has awarded contracts totalling $1.8bn to Siemens of West Germany, Siemens Austria and Thomson-CSF of France, for work that should transform the country's communications. The more antiquated areas of Cairo offer a special challenge

The project, costing $325m, is being undertaken in three overlapping phases, the first of which will add 120,000 new lines lines in Cairo and 80,000 in the delta towns and adjacent areas of Mansour, Tanta and Zagazig.

Pre-survey work and soil tests have now been completed in the Cairo area and specifications are being prepared so that tenders can be put out.

Under the long-term plan all the Cairo exchanges will be renewed and linked by a microwave junction network which, when complete, will be the largest city network in the world. Part of the microwave digital network is being installed under a $35m contract awarded in 1978 to Raytheon of the U.S. and due for completion in the next few months. It is establishing microwave links between the main Ramses exchange and 20 local exchanges. However there have been reports that the central antennae will not be high enough to allow the network to become fully electronic.

All the new exchanges to be installed by the European consortium will be electronic with SPC (stored programme control), those in Cairo being analogue, and those outside digital systems.

Cable laying

Other projects now nearing completion include cable laying being undertaken in the Cairo area by AEG Telefunken with the civil works being carried out by the Signal Corps of the Egyptian Army.

The Signal Corps is expected to play an increasing role in the telecommunications field and is expected to tender for Siemens sub-contract work. Meanwhile Citoh of Japan is responsible for installing new trunk and local exchanges in the Suez Canal zone, using Hitachi equippment, while Nippon Electric Company has become a major supplier of mobile exchanges. STC, the UK subsidiary of ITT, Cit-Alcatel of France and L. M. Ericsson are also major suppliers to the Egyptian market.

However, the Siemens contract has largely pre-empted opportunities for new business from the telecommunications authority which has recently been given independent status along the lines of the Suez Canal authority, at the same time changing its name from ARETO to ARENTO. The only other projects planned are those financed by U.S. aid and therefore open only to U.S. companies and their subsidiaries or to foreign companies which have been established in the U.S. for over three years.

Under a $20m contract signed in May 1980, Arthur D. Little and CONTEL of the U.S. are providing managerial and technical advice on the rehabilitation and equipping of four exchanges in Cairo and three in Alexandria. Contracts worth around $200m for implementing the projects, which will add 60,000 new lines and renovate another 100,000 along with outside plants for six of the exchanges, are expected to be awarded in the first half of 1981.

Though the Siemens contract has temporarily closed the doors for ARENTO contracts (particularly as it has the option on later phases) beyond sub-contracting work there is still some scope for business. Ten public sector entities such as the broadcasting authority, the Ministry of Tourism and Civil Aviation and the Ministries of Interior and Foreign Affairs are able to buy independent of ARENTO. In addition, there is a big market for PABX (private automatic branch exchanges) and KTS (key telephone systems), particularly for the large number of hotels being built.

Gadgets

Such equipment can be imported duty free and is attractive to the private buyer because the maintenance becomes the responsibility of the manufacturer's agent rather than ARENTO. When the system itself improves there should also be a big market for new-style telephones, status symbol gadgets and, eventually, data communication equipment.

There will also be a need for equipment for making the various systems compatible. Even after all the rotary equipment has been phased out there will still be eight different kinds in use in Egypt. A new 1,500 lines sea cable is also to be established between Alexandria and Athens at a cost of some E£22m ($32m).

The current expansion plan does not include new telex lines though a later phase [illegible] present the system [illegible] well below capacity [illegible] ago there were [illegible] lines in Cairo but only 1,431 subscribers [illegible] surprising given that [illegible] relatively efficient. The under-usage is attributed both to the bureaucratic battle which has to be waged to get a line and the cost of gaining one. Rating costs are in line with international charges but the subscriber has to pay a E£3,000 ($4,348) connection charge and buy the telex machine himself, which, once it is connected, becomes the property of ARENTO.

There is a similar problem in obtaining an international STD line—available since the first electronic international exchange opened in Cairo in 1979. To get a line a subscriber has to prove that he will make calls worth at least E£1,000 ($1,450) a month, a difficult task when his current level of calls will inevitably be depressed by the problem of placing international calls through the operator while the assessment does not take account of telex usage.

Expansions to provide more lines continue

JORDAN/SYRIA

RAMI G. KHOURI

THE Telecommunications Corporation of Jordan, the state-owned monopoly established in 1971, is starting to show results in the first phase of its programme to spend $230m to improve and expand Jordan's telecommunications between 1978 and 1985. This requires the replacement of old electro-mechanical exchanges by electronic digital systems that will be fully integrated into a national network.

Four of the new electronic exchanges entered service last year in and around Amman, providing 24,000 new lines initially. Mondular units have been ordered, to expand the exchanges by another 25,000 lines in 1981: the four exchanges have a total eventual capacity of 140,000 lines.

In the past three years, Jordan's telephone subscriptions increased from 45,000 to 65,000: the aim is to have 200,000 lines by 1985.

Jordan's telecommunications expansion is being financed heavily by Japanese and French loans. The French have provided loans of about $70m to finance a big rural communications system extending throughout 420 villages in north Jordan and the Jordan Valley, using electronic integrated digital exchanges that are connected with the urban telephone networks.

Thomson-CSF of France is providing a $7.5m switching centre that will connect the Jordanian telecommunications network with the international system, allowing direct dialling of international calls by the end of 1985.

Linked

The addition of a second satellite earth station last year has vastly improved international telex and telephone calling. Jordan is now linked into Atlantic and Indian Ocean satellites. Most international calls can be made within one hour, except to some parts of the Arab world, where a one or two-day wait is still common. This will not be solved until the Arabsat project, linking the 22 Arab states by their own satellite, gets under way in the next four years.

The telex system has been expanded recently from 800 to 2,000 lines, with an ultimate capacity of 20,000. Telex calls are instantaneous to all parts of the world, though some applicants have to wait for a telex subscription if they are located in parts of Amman where the new exchanges have not yet been installed. On the whole, though, the telex service in Jordan is excellent.

Microwave systems have been established linking Amman with the southern port of Aqaba, and with the Syrian capital of Damascus. A new microwave system is being established to link with Baghdad, in the wake of the close ties that have been forged between Jordan and Iraq in the past two years. Perhaps the most outwardly visible aspect of the telecommunications programme are the 116 bright red public telephone booths bought from GEC of Great Britain last year, and installed throughout Amman.

In Syria, the telecommunications challenge is more awesome, given the greater distances between population centres. The 1976-80 Development Plan called for 200,000 new telephone lines, to provide for a total of 350,000 lines connected in an automatic system.

A reorganisation of the Syrian telecommunications directorate, with decentralisation of responsibility, is expected to speed up the slow implementation of the plan. To meet the needs of the wide open northeastern provinces, a microwave network is being established linking Damascus with Aleppo, Rakka and Hassakeh.

An indication of Syria's potential for improving its communications system by using its own skilled workforce is the establishment of the Franco-Syrian company Syrocotel, to produce digital electronic telephone exchanges under licence from the French company Cit-Alcatel.

Internationally, Syria is studying ways of improving the ground line connections with Beirut, connecting into the Intersputnik Soviet satellite system, and participating in the Arabsat project. Total spending in the five-year plan on telecommunications projects is Syria £842m or about $200m.

Big impact on people's lifestyles

TV/RADIO

SIMON HENDERSON

PROGRAMME controllers of Arab television stations had already rejected "Death of a Princess" before the political storm which followed its showing in Britain at the beginning of last year. They had been given a private showing in London and had decided that it would not go down well.

Similarly "Dallas" was not considered suitable for several Arab states — JR's antics with his sister-in-law are at odds with the Arab sense of family.

But with these two main exceptions the Arab world is an important market worth several million dollars a year for programme companies in Europe and North America, and potentially very much more for anyone selling radios and television sets.

Not even a casual visitor to the Middle East could fail to notice the impact of the growth of radio and television broadcasting on people's lifestyles. Only in remote villages are rooftops not adorned with often elaborate television aerials: the simplest people consider a transistor radio to be almost a necessity. Its very size has status — a value passed on to almost every immigrant worker from South Asia who on returning home seems to be carrying one the size of a large briefcase.

The importance is not lost on any government. From the Maghreb to the Strait of Hormuz each country has a state-run radio and at least one television channel directly controlled by the state. Only in the less well-off countries are television transmissions not in colour, and that probably will change in the next few years.

With these exceptions, the days of big contracts to set up complete broadcasting systems now seem to be over. The market though is still there for selling more televisions and radios. It is estimated that there is one radio set for every five people in the area, compared with one set for every two people in Western Europe and two radios for every person in North America. In televisions, the market is even greater.

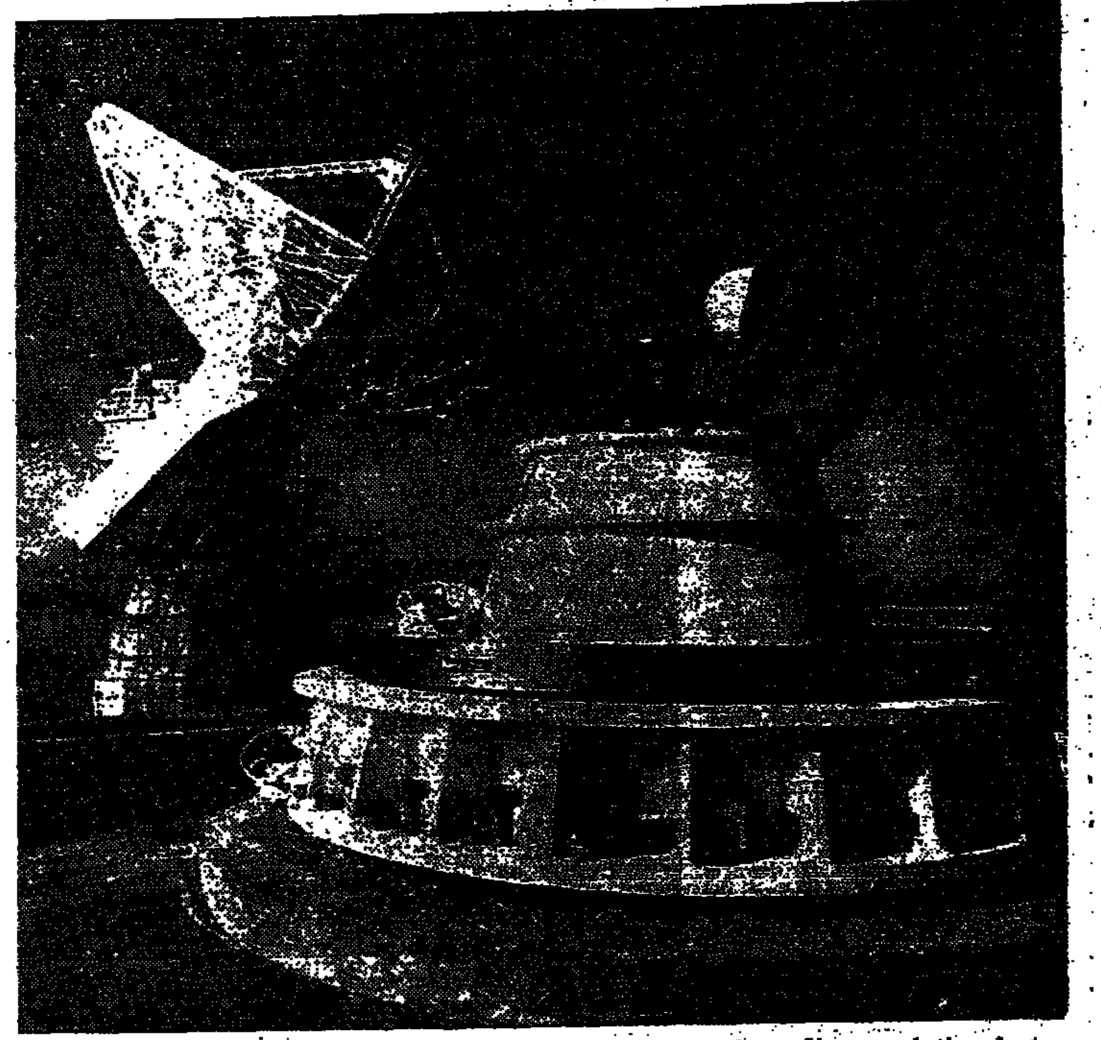
For a Western manufacturer competition from Japanese companies is probably too fierce. Local agents are kept particularly well-supplied in the Gulf area, where customs duties are low or non-existent. In Dubai, the brand-new building of Jumbo Electronics — said to be the biggest Sony distributor in the world — is full of the latest models.

Diversity

The biggest problem for individual broadcasting authorities is often the small size of the audience and yet its diversity. In a culture where there are seldom pubs or clubs, no one goes to the theatre and cinemas are not places for a family outing, television is often the only form of entertainment. Yet many states in the region have a population of only a few million and often very much smaller. Of these, a sizeable proportion can be expatriate labour, either Oriental or Occidental, but seldom Moslem.

One way to cope with this language problem is by using a second channel for non-Arabic programmes, as in Dubai. Alternatively, air time is made available for showing a news programme in English (after Arabic, the lingua franca). Yet another way is not to dub foreign programmes but to use sub-titles. (In Saudi Arabia Aramco runs its own service in the oilfields.)

British television companies are generally happy with the amount of business they do in the Arab world. The BBC, which despite its quasi-official status is as hard-nosed as the commercial companies in the programme-selling business, is particularly pleased that it has sold all 37 of its series of Shakespeare plays to Egypt, Jordan, Bahrain, Qatar, Dubai and Iraq. ATV, makers of "Death of a Princess," says it continues to sell a lot of other programmes, among them "The Muppets."



Bahrain's second satellite earth station under construction. Its completion last year has given Bahrain direct access to 21 countries

A former programme controller from the Gulf estimates that 50 per cent of each station's output is made locally (reflected in the quality of the product) and 20 per cent is bought from other Arab countries. The remaining 30 per cent of the market is not nearly as important to foreign companies as, say, North America, Europe and Australasia but is certainly on a par with Asia, and greater than Africa.

Video-tape pirating does not affect these programme sales — so far no state broadcasting authority has used such material. It is only a problem for the individual television service because of the internal competition it represents.

A more potent threat is a different sort of piracy, so far more a danger in radio terms. Although viewers in, say, the United Arab Emirates can pick up Qatari, Omani and sometimes even Kuwaiti television, none of these foreign stations sets out to destabilise regimes. But in radio, clandestine and deliberately provocative broadcasting abounds.

One such radio, somewhere in Ethiopia, continually refers to President Said Barre of neighbouring Somalia as a "hyena." Similar choice epiphets are used between Iran and Iraq about their respective leaders.

Exiled

Even before the present war, each country was broadcasting special transmissions to each other's Kurdish population. And despite their impotence, exiled Iranian leaders such as former premier Shahpour Bakhtiar and Gen. Gholam Ali Oveissi, continue to broadcast from Baghdad.

The airwaves around Iran metaphorically buzz with Iranian transmissions going to other communities of Shia Moslems in the Arab world, and other broadcasts beamed inwards. The Russians run the clandestine transmissions from Baku of the "National Voice of Iran," the U.S. Central Intelligence Agency has operated "Radio Homeland" out of Cairo.

There is a similar profusion in the airwaves around Israel. Apart from the official Voice of Lebanon, there is also the "Voice of Palestine" and the "Voice of Hope" (the latter run by the Christian leader, Major Haddad.) Others in Lebanon also broadcast but less regularly.

The function of these radios overlaps the established territory of official external broadcasting which most countries operate, to make known their views on international affairs. In the area, Egypt runs by far the biggest operation, ranking behind only the U.S., the Soviet Union and China in programme hours per week.

Other important broadcasters are Radio Monte Carlo (95 per cent French Government-owned) and the BBC. Medium-wave transmissions, from Rhodes for Radio Monte Carlo, and from Cyprus and Masirah for the BBC, provide good reception over wide areas. There is also a substantial audience for short-wave transmissions.

Satellite bids being studied to choose contractors

ARABSAT

MICHAEL DONNE

SOME TIME in the next few weeks, a major decision is expected to be taken that will revolutionise telecommunications throughout the Arab world. This will be the selection by the Arab Satellite Communication Organisation (ASCO) of the prime contractor for the provision of "Arabsat" — an Arab-owned satellite communications system to become operational around 1983-84, to serve the countries of the Arab League covering the whole of North Africa and the Middle East.

The bids by the interested companies and groups — including British Aerospace (in association with both Matra and Thomson-CSF of France), Aerospatiale of France, Hughes and RCA of the U.S. and SPAR Aerospace of Canada—were submitted some weeks ago, and are now being evaluated by ASCO.

The initial bids, revealed publicly when they were opened on Saudi television, were: British Aerospace, between $95m and $134.7m, according to various options available: Aerospatiale, $118m to $134.8m; RCA, $105m; Hughes Aircraft, $151m, and SPAR Aerospace, $134m.

All these bids are now being studied by ASCO, but it is understood that some of them may be revised to take account of inflation and other contingencies.

But the overall cost of the "space segment" of the proposed system, comprising two satellites in orbit and another in reserve on the ground, is estimated to be upwards of $150m.

In addition, a similar competition will have to be held to choose the contractor (or contractors) for the associated "ground segment" — that is, covering the necessary manufacture and installation of ground receiving and transmitting stations, together with their associated links into national telephone and TV networks in the countries involved.

The cost of this segment is likely to be at least comparable to that of the space segment, and might even be more, when it is considered that existing telephone and TV networks are limited in some of the Arab countries involved. Thus, the eventual total cost of the entire Arabsat system by the mid-1980s is not likely to be much less than $300m, and may be considerably more.

The aim of the Arabsat system is substantially to improve, even to revolutionise, telephone, telex and data transmissions between the countries of the Arab world, and with the world outside. The system will also provide for the exchange of TV and radio programmes between Arab States, and for a community TV broadcast service which will enable the most remote of Arab communities to receive news, education and entertainment programmes by means of small receiving stations.

The proposed system will comprise two satellites in orbit —one in use and one spare, together with a spare on the ground. Each satellite will be capable of providing up to 17,000 telephone channels, seven channels for TV distribution between Arab countries, and one community TV broadcast channel.

For the telephone and TV distribution service, the satellites will work with ground stations of similar specification to those ground stations throughout the Arab world that are already linked in with the existing Intelsat (International Telecommunications Satellite) global system.

Low cost

The community TV broadcast service will require smaller ground stations of up to 3 metres diameter, with simple receivers. The low cost of these ground stations will enable them to be distributed widely throughout the Arab countries. Thus, the entire Arabsat system will comprise a complete "regional" satellite communications system of a kind that is likely to become widely in demand throughout other parts of the world in the years ahead.

This is why the competition to win the Arabsat contract is fierce. It is the first truly "regional" satellite communications system outside Western Europe and North America, and thus can be regarded almost as a prototype of others to follow. Areas such as South-East Asia, Central Africa and parts of South America would be logical future users of similar regional-type communications satellite programmes, and governmental, telephone and broadcasting authorities in many countries in those areas will be watching closely to see how the Arabsat system performs. Already, however, the bidders for the Arabsat system are aware of this growing interest.

One of the advantages of any satellite communications system is that for poor or under-developed countries, it virtually leap-frogs a generation in the development of communications systems. The cost in both monetary and manpower resources of establishing the ground-lines for long-distance telephone systems in vast expanses of difficult terrain, such as prevail in the Middle East and Africa, would be prohibitive.

With satellite systems, however, the state of technology is already such that the satellites themselves are relatively inexpensive and the ground terminals easily established — so that a major communications system can be installed swiftly, even where none existed before, at comparatively low cost. In many areas of the world the provision of long-distance ground lines will probably never be attempted from now on, with countries moving directly instead to satellite systems.

The submission by British Aerospace and its partners for the Arabsat contract is based on the extensive satellite manufacturing experience gained by that organisation's Dynamics Group (through its Space and Communications Division). British Aerospace's satellite experience now extends over 20 years. Of particular significance has been the work it undertook as the prime contractor for the European Space Agency's telecommunications projects, such as the Orbital Test Satellite (OTS), the European Communications Satellite (ECS) and now also the European Marecs Maritime Communications Satellite programme.

Similarly, both Matra and Thomson-CSF of France have for many years been deeply involved in the space programmes of that country and on international programmes. Both individually or collectively, these three companies, who have joined forces to bid for the Arabsat contract, have been involved in more than 50 satellites of various kinds over the past two decades, ranging from small scientific satellites to the latest big Intelsat V communications satellite.

Currently, the competition to choose the prime contractor for the space segment of the Arabsat system is expected to be settled some time early in 1981. The programme envisages a first launch about 30 months from the award of the contract, so that if the contractor is settled early in 1981, the system should be working by about mid-1983.

The interim period will be devoted to the complex task of manufacturing and testing the spacecraft, while at the same time the ground work contractor will also have been chosen and will be getting on with the tasks of erecting the necessary ground receiving and transmitting stations and linking them into the existing telephone and TV systems in the individual countries. Much work may also have to be done in extending and improving the latter, or even constructing them where they do not now exist.

Complex

The first spacecraft to be built will be used to test all the complex systems on the ground, and then will be refurbished to flight readiness and stored against a possible subsequent launch if Arabsat so desires. The first spacecraft actually to be launched will be the second one built, and this will be the primary operational craft, in geo-synchronous orbit over the earth—so that it remains virtually in one spot at a height of about 22,000 miles, giving coverage to an area that will extend from the Atlantic Ocean to the Indian Ocean, and from the Mediterranean to the south Sahara and the Horn of Africa.

The third spacecraft to be built will be the second one launched, about three months after the initial launch. This will act as a spare in space, immediately available to stand in for service if the other satellite should malfunction in any way.

The BAE-Matra-Thomson-CSF spacecraft will be designed for launch either by the European Space Agency's Ariane rocket from the French base at Kourou in French Guiana, or by the U.S. Space Shuttle from the Kennedy Space Centre, Florida.

By mid-1983 each of these systems should be fully functioning, having overcome their early teething problems and satisfactorily achieved early test flights. Some extra cost is involving in designing the spacecraft in this way, but a lower cost option is available in which the spacecraft would be compatible with Ariane only.

MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

How long do you spend thinking?

JAPANESE managers spend almost a quarter of their working time in formal meetings, and another fifth in informal conferences. Americans are altogether less formal, spending little more than an eighth of their working day in scheduled meetings, and a quarter conferring informally with other people, both in person and on the telephone.

On the other hand, the American manager is more paper-ridden. The Japanese spends only 16 per cent of his time writing, whereas the American devotes a full 20 per cent, if dictating is taken into account. Even more to the point, the American spends more time writing than reading.

All this leaves the Japanese, as well as the Americans, alarmingly little time to think, according to the collectors of these comparisons: Binder Hamlyn Fry and Co., the British management consultants. They comment, though, that it may be that the Japanese find it preferable to "think things over" when they are away from their offices and factories, either in outside meetings, in trains or at home.

The comparisons are based on a survey of 1,000 Japanese department and section chiefs, carried out by the Japan Management Association's Research Institute, and on an IBM study of 76 upper-level American managers.

The trouble with much of the classification in both surveys—and therefore with Binder Hamlyn's conclusions—is the obvious one of definitions. Take just the example of reading. Can anyone say with accuracy how much of an hour spent reading a report is devoted to thinking about the report's conclusions? Any differentiation must be wildly inaccurate. And why should a category titled "planning or scheduling" be interpreted by Binder Hamlyn as the only time spent "thinking"? What about the time (if any) spent thinking about the implications of this article?

"The Management Scene in Japan." From Duncan Wood, Binder Hamlyn Fry and Co., 227/228 Strand, London WC2R 1BZ.

Christopher Lorenz

Business courses

International Environmental Management Seminar, Geneva. February 2-13. Fee: SFr 5,500. Details from The Admissions Secretary, Centre d'Etudes Industrielles, 4 chemin des Conches, CH-1231 Conches-Geneva, Switzerland.

Planning and Controlling Profit, Bradford. February 8-13. Fee: £310. Details from Course Secretary, Finance and Accounting Programme, University of Bradford Management Centre, Heaton Mount, Keighley Road, Bradford, West Yorkshire BD9 4JU.

Word Processing—Selection Criteria, Worthing. February 6. Fee: £80 (plus VAT). Details from Course Registrar, MSS Computer & Business Consultancy, MSS House, 54 Chapel Road, Worthing, West Sussex, BN11 1BE.

Advanced Sales Management, Brussels. February 16-20. Details from Management Centre Europe, avenue des Arts 4, B-1040 Brussels, Belgium.

The Economic Environment of the 1980s, Henley. February 16-20. Fee: £480 (plus VAT). Details from The Registrar, Administrative Staff College, Henley-on-Thames, Oxfordshire RG9 3AU.

Production / Operations Management and the Microcomputer, Bradford. February 1-6. Fee: £310. Details from Management Development Programmes, University of Bradford, Management Centre, Heaton Mount, Keighley Road, Bradford, West Yorkshire BD9 4JU.

Marketing Management and Decision Making, Cookham, Berkshire. January 25-30. Fee: £393 (plus VAT). Details from Head of College, College of the Institute of Marketing, Moor Hall, Cookham, Berkshire SL6 9QH.

Essentials of Treasury Management, London. February 9-10. Fee: £375 (plus VAT). Details from AMR International, 6-10 Frederick Close, Stanhope Place, London W2 2HD.

A Director's Legal and Professional Responsibilities, London. February 24. Fee: £95 (plus VAT) members, £125 (plus VAT) non-members of the IOD. Details from the Institute of Directors, 116 Pall Mall, London SW1Y 5ED.

Sailing on the back of the petro-dollar

Ray Maughan talks to the man who wants to bring the America's Cup to Britain

PETER DE SAVARY is sitting in the lounge of his new West End club. Like most of its kind, the club looks less than its best in daylight and the entrance to the room is dominated by a massive TV screen.

At about 3.00 pm, reality intrudes on the ambience created by the Thirties' Art Deco furnishings and lighting as de Savary's club manager bursts into the lounge. A workman has punched de Savary's foreman. What to do? The manager is smoking nervously, contemplating union disruption to the completion of his boss's plush new London headquarters. De Savary is unruffled. He issues his instructions and the manager is despatched to fulfil a tricky industrial relations assignment.

De Savary returns to his coffee and Havana cigar. His bow tie, offending his publicist's view of what is what, remains jaunty. He wears the mantle of the new rich, a man who has lived on his wits and must continue to do so to front the Western investment interests of several powerful Arab businessmen.

That is how he would probably have remained, operating out of the public eye, had he not started to pull in the cream of Britain's ocean racing establishment in an attempt to bring the America's Cup to Britain after several generations' residence in the New York Yacht Club headquarters at Newport, Rhode Island. He has seven backers so far but he accepts that if the patriotic fervour his campaign is attempting to generate attracts no more private funds, he may have to stump up at least £1m of his own money.

The story of how he found such riches really only takes off after he discovered the possibilities of oil in general, Arab investors and Artoc Bank and Trust in particular.

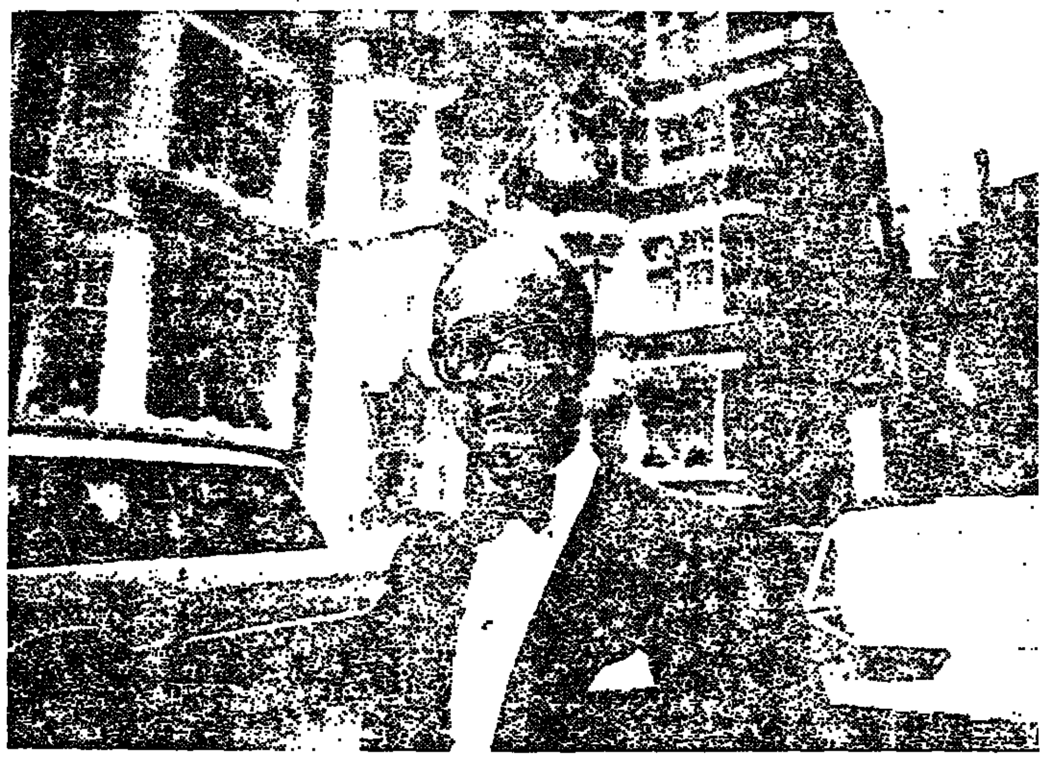
Canada was probably the first and almost certainly the last place Peter de Savary has not felt thoroughly at home. He appears to have made no impression whatsoever on the North American business community when he crossed the Atlantic as a 16-year-old after leaving Charterhouse in something of a hurry. He found that he was not qualified to go for the jobs he wanted and not old enough to raise a loan.

Today, 20 years later, he is managing director of the expanding Nassau-based Artoc Bank and Trust and chairman of the Independent Oil Company. His connections in oil and with the major oil producing states in the Middle East have given him the resources to mount, and underwrite, one of the longest and most expensive campaigns in world sports without having to pass the hat round to the public at large.

He cannot, or will not, say how much he is worth individually and claims that he is not motivated by money for itself. Such apparent disdain is normally the product of a silver spoon upbringing but other than a pair of gold cuff-links and a good, if truncated education, he says that he was heir to little or nothing.

He stuck it out in Canada as a manual worker for three and a half years before returning to join his family's joinery company in the West Country, Duncan Tucker. That lasted for six years before he left after a disagreement over his wages and bonus. It is a reflection of his vastly changed status that he was subsequently able to buy the company out.

That had to wait for quite a while. His next venture, with the help of a small loan from a friend, went well at first as he set up in Holland to establish an import-export agency with Nigeria. Turnover rose to about $24m annually but the agency fell on hard times, as he puts it, after serious errors of credit risk assessment. That put him back to square one.



Peter de Savary: to the New York Yacht Club via joinery, oil, property, and films.

Control

The subsequent move appears to have been blessed with a mixture of good luck and good judgment. Fortunately his stepfather had been 36 years in the Middle East with Shell and it was this informed background which led him to suppose that control of world oil supplies would one day pass from the big oil companies to the producing states.

The notion apparently went down sufficiently well to persuade powerful Arab businessmen to back a company, set up with "like minds," in the oil sales and distribution business. The move could hardly have been better timed. In 1973, the Yom Kippur war broke out and OPEC was suddenly a name at the top of most world economic agendas.

His business, Independent Oil Company in Kuwait, was quickly turning over many hundreds of million dollars, he remembers, and he was making lots of friends. Those contacts have served him well.

They apparently started asking his advice about investments outside the oil industry. In a sense, and in a small way, de Savary was helping to recycle petro-dollars — probably the best description of his activities.

He had found his métier. A small merchant bank was set up by his Arab contacts and called Arabian Trade Oil Corporation, to smooth the recycling flow. At the end of last year, the bank's share capital was doubled to $10m, shareholders' funds amounted to $12.2m and the balance sheet footing had grown from $46.52m to $180.14m. The share capital has since been doubled again and, given the growth of Artoc's international investments, it seems reasonable to suppose that the balance sheet has grown commensurately.

That kind of support can only come from powerful backers. One of the members of Jeddah's leading families, Sheikh Khalid Bin Mahfouz sits on the Artoc board, as does the influential Ebrahim Al Ebrahim of the Arab Africa International Bank in Cairo. De Savary's co-managing director, moreover, is Abdullah Saudi, one of the mainsprings of the recently formed Arab Banking Corporation.

It is important to realise, however, that at least 70 per cent of what Artoc does is "off balance sheet." It is most active in fiduciary duties for investors. In a broadest sense, then, de Savary finds and explores propositions for investors on a fee basis. The commercial bank, itself, is strictly a short term lender and at December 1979 only $1.7m of the total $53.8m was represented by maturities longer than a 12-month period.

Much effort is directed towards the U.S. energy, shipping and real estate markets but the bank has important investments in the UK. Opposite European Ferries' proposed "Green Giant" tower project near Vauxhall Bridge, the renascent Ronnie Lyons is planning a 350,000 sq ft office development. The finance will be put together by Artoc. Artoc's clients also, incidentally, own three-fifths of the house in which BBC TV's "To the Manor Born" is filmed. It was Artoc, again, which exploited the possibilities of a derelict freehold site in the heart of London's West End and the new £6m St. James's Club, of which Sir John Mills, Gregory Peck and other film luminaries, are committee members, is the result.

Failure

Artoc has only really surfaced once on the quoted company scene and its foray was emphatically not stamped with success. After an approach from Tim Yeo, a business associate, the bank took a large stake in the aerosols and hairdressing company, Talbex. Yeo and de Savary share the same almer mater but de Savary denies a closer connection. The idea as put forward at the time, was that Talbex would become Artoc's vehicle for further quoted investments and it was backed by the bank a little over two years ago to bid for Hoskins and Horton, the building materials and hospital equipment group. It was a bitterly contested offer which ultimately collapsed.

De Savary dumped Talbex shortly after this failure and Talbex has gone on to carve out its significantly less than successful stock market career. De Savary acknowledges his mistake. "It had weak management, a record of previous headaches and poor products," he now says dismissively of Talbex.

The bank's involvements since have been supportive; deliberately passive rather than forceful.

Adopting a low key stance, the bank has been associated with Brent, Walker, a fast moving quoted leisure group run by the former boxer, George Walker. The role of Kit Hobday, Brent Walker and Artoc PR man, has been important to de Savary's introduction not only to 12-metre racing but to some of BW's hotel ventures and its cinematic chef d'oeuvres such as "The Bitch" and "The Stud." Quite what the Mahfouz and other Arab families make of such enterprises must be a moot point.

Hobday and de Savary are alike in that each has many contacts which they use to forge business partnerships. A keen sailor himself, Hobday was publicist for the 1500 Group of corporations which backed Britain's last America's Cup challenge. The project was running out of cash long before the team got to Newport, Rhode Island, where the U.S. always defends. Perhaps de Savary could help. He could. He was hooked, and estimates that he put up £100,000 from his own pocket. George Walker's brother, Billy, is bringing his expertise as a former heavyweight boxing champion to help train the British crews in Nassau. Hobday will be project manager. Wheels within wheels.

So, the Arab banker turns sailor. If his Victory Syndicate at least fights the Americans around every inch of the Newport course, de Savary will have carved a small niche in sporting history. If the syndicate lives up to its name . . .

Technical News

EDITED BY ARTHUR BENNETT AND ALAN CANE

Keeping the yarns under control

AS TEXTILE processes increase in speed so the problem of controlling yarns, travelling in often complex paths, calls for more sophisticated techniques. Camber International, one of the major British circular knitting machine builders, is now fitting as standard to its range of machines the new Senate top and bottom stop motions which sense the yarn but at the same time control it.

The units have been designed to control even the most twist-lively yarns running at high speeds. With the top stop motion a sensitivity range of 0 to 160 grms can be selected, although it is possible to have double this, should it prove necessary. The bottom stop motion is adjustable from 0-10 grms.

Made by Alan Shelton of Winston Avenue, Croft, Leics LE9 6GQ (0455 282880), the Senate stop-motions are fully earthed so that there is no danger of static electrical charges being built up when running synthetics. At every point where the yarn comes into contact with the motions there is either a smooth ceramic face or a specially hardened metal contact point that aids in the smooth running of the yarn and is designed to withstand its abrasive action.

The bottom stop motion can be adjusted at will through 45° while maintaining its sensitivity at all times.

Should the stop motion be triggered off a high intensity signal light comes on and this can be seen, even above the ambient lighting level within the plant.

Low cost boat radar

TO BE SEEN at the International Boat Show (January 8 to 18) will be the Series 1600 marine radar set, specifically designed for the yachtsman and small craft operator and selling at £1,500.

Made by Furono Electric Company in Japan, the radar has a 7 in plan position indicator display with magnifier to produce the illusion of a 12 in display, and controlled illumination for night time use. The set will operate from 11 to 40 volts DC and consumes only 50W. It is claimed to have higher pulse repetition rates and shorter pulse lengths of any comparable type so that, in conjunction with its high sensitivity receiver a picture definition is produced normally only associated with more expensive equipments.

The low windage lightweight radome containing an 800 mm aerial has a low noise turning mechanism.

Design of the receiver includes a new hybrid integrated circuit which is described as "doubling receiver sensitivity." The quoted signal to noise ratio is given as 6.5 dB which "compares well against the 10 dB of most other radars having comparable power output."

Series 1600 is said to be easy to install — there are only two units and the display has a universal mounting.

It is available from Greenham Marine of Poole, Dorset (02013 6363) but interested parties outside the UK should contact Furono at 9-25 Ashihara Cho, Nishinomiya City, Japan.

Matching the micro to the machine tool

BY ALAN CANE

USING CHEAP, tiny microprocessors in place of expensive, unwieldly electromechanical controls for machine tools is, in principle, a manufacturer's dream.

In practice, however, it can be a nightmare. Wickman Scrivener, a Birmingham-based member of the machine tool division of John Brown and Co. was faced with such a problem.

It had devised a new grinding machine, the Wickman Scrivener Model 3, which, if it was to be competitive with the rest of the world, had to be computer controlled.

Unfortunately, the design problems posed by the Model 3 seemed intractable. The new tool was an internal grinding machine, the kind of device used to grind the internal surfaces of cylinders such as ball-races, gears and pistons.

The machine was required to grind both the bore of the cylinder and the face. Various attempts to solve the very complex set of operational problems posed by the system failed.

The solution was finally provided by a small electronics consultancy, Windrush Micro Designs of North Walsham, Norfolk.

It devised a numerical control system based on the 6800 microprocessor, which not only gave the resolution necessary for grinding either the bore or the face of the workpiece, but made it possible to do both operations simultaneously.

According to Mr. William Dickinson, joint managing director of Windrush: "The preliminary design concept was to provide a controller to manipulate the bore and face grinding wheels with stepping motor drives. The stepping motors were required to move over a range of plus or minus 99,999 steps and step at rates in excess of 10,000 steps a second with a positional accuracy of zero steps of error."

That meant that the machine had to grind to an accuracy of one thousandth of a millimetre.

Where Windrush made its innovation was in its method of controlling the stepper motors.

Mr. Dickinson said: "We designed a system which simply took instructions from the microprocessor. Once the system was assigned a target, speed and direction, the microprocessor was free to perform other operations . . . and once the microprocessor was free to perform other tasks while the stepping motors were moving from one position to another, the door was opened for very economical control of a multi-axis system.

Crudely, what Windrush did was to design printed circuit boards holding registers which could be preset with the grinding instructions. When the instructions were fulfilled, signals were sent to the microprocessor which then reset the registers for the next stage of the operation.

The equipment sells for less than £4,000, although Mr. Dickinson points out that costs have been much reduced because the controls were custom-built for Wickman Scrivener and because the machine tool makers paid the research and development costs of about £30,000.

A prototype is already running in the Wickman Scrivener works and the firm has ordered six production models, the first three of which will be delivered this month.

Mr. Ray Smith, a technical specialist at Wickman Scrivener, says the firm is broadly satisfied with the new controller. "The grinding performance is satisfactory and our operators find that the machine is quick to settle down after new instructions have been fed in. Usable components are obtained almost immediately."

Mr. Smith says the firm went to Windrush because no standard product suited the company's requirements, and because efforts to find a solution from CNC specialists—including the universities—failed.

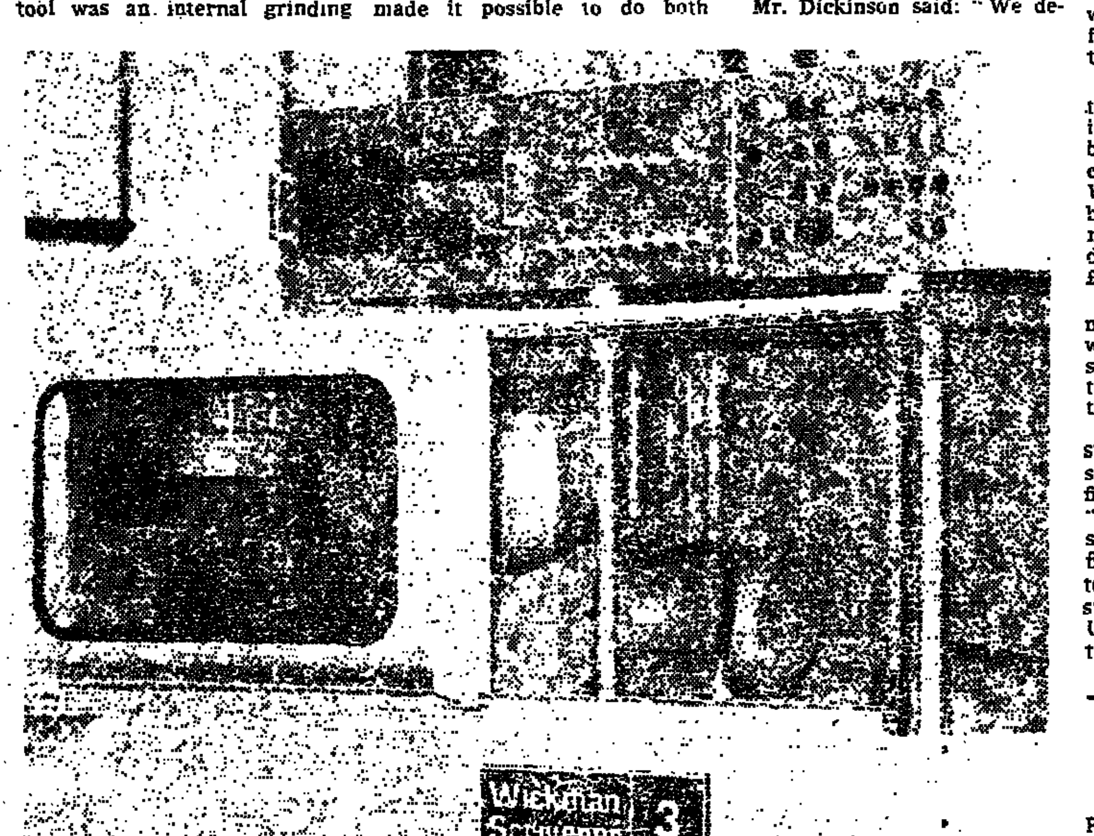
How a big breakthrough in CNC has Windrush made? According to Mr. Andrew Gardner, a senior consultant with Systec, which specialises in programmable logic, the concept is quite new and should lead to manufacturing economies.

"It looks very interesting and there are a number of firms who might benefit from studying this. The exciting thing about microelectronics is the number of advances of this kind made possible. In retrospect, it seems simple, but the initial idea has to come from somewhere."

The chief problem, is of course, matching electronic skills to mechanical expertise. Windrush had little experience of machine tools; Wickman Scrivener little experience of explaining its requirements to microprocessor experts. Mr. Dickinson says: "It took some four or five months before we understood each other."

Mr. Gardner believes that a company getting into numerical control should go to a systems builder with experience of the industry. In his report *Guide to Programmable Logic Controllers and Systems Builders* (Systec, 1980, £153) he argues: "If a systems builder already has experience in your particular type of industry or in industries that employ the same equipment or techniques then the learning curve to implement successfully your project can be shortened."

Wickman Scrivener is on 021-356 6881; Windrush on 06924 5189; Systec on 0252 313188.



The Model 3 grinding machine; the new Windrush controller can be seen top left.

Reduces strain on the crane

THE PROBLEM of using cranes at sea is that a ship's up and down motion during lifting operations can put tremendous strains on a crane, sometimes even buckling the jib.

An answer is offered with the AF Marine system mounted on a ship or semi-submersible, such as an oil rig, which uses 24 hour weather forecasts to predict the motions of the crane and vessel and helps the crane operator or superintendent to compensate for them by, for example, redistributing the ballast.

The system can also gather data from gyroscopes and sensors in buoys riding on the waves to provide real time information during the loading and unloading operation.

Information concerning the vessel and its ballast, the crane's angle and reach, the load on the hook and so on, is entered through a console by setting simple switches.

Atkins Research and Development (part of WS Atkins Group) markets the crane barge motion monitor and simulation system through AF Marine. The system is based on a Digital Equipment PDP-11/34 minicomputer and its graphic display terminals built in by Sigma Electronics (0403 50445).

NEWS IN BRIEF

SOUND

PUT ON the market in this country by Bruel and Kjaer, Cross Lances Road, Hounslow (01-570 7774) is the model 4175 microphone which is intended for noise and sound level measurements and is supplied with a comprehensive individual calibration chart.

The microphone is a half inch free field type with high sensitivity (50 mV per Pascal) and a wide frequency range 4 Hz to 20 kHZ.

Polarisation is achieved via a charge carrying element on the backplate and therefore no external polarising source is required. This allows simplification of the associated electronics and reduces power consumption —important factors in the design of small hand held instruments.

SWITCHGEAR

BRITISH BROWN-BOVERI has launched what it claims is the first range of 66 kilovolt metalclad cubicle switchgear.

Entitled the ENK range, the new switchgear costs only half as much as conventional SF6 gas insulated equipment.

What Brown Boveri has done is to fill the cubicle with SF6 gas at slightly above atmospheric pressure, making it possible to use isolators developed originally for use at lower voltages.

The interior of the cubicle is divided into three hermetically sealed sections — for busbar, circuit breaker and feeder equipment. The maintenance interval is said to be ten years, or ten short-circuit operations at 31.5 kiloamperes. More from British Brown-Boveri on 01-828 9422.

● Tendring District Council has awarded a sewering contract worth £1.2m to the civil engineering arm of Jackson Group, Roadworks.

The long-running 3% farce

BY JONATHAN CARR

OF ALL THE arguments with which the members of the NATO alliance habitually torment one another (to the great glee, no doubt, of the denizens of the Kremlin), the one over the "3 per cent real annual increase in defence spending" is surely the most fatuous.

The issue is comparable in its complexity and underlying absurdity to the EEC's common agricultural policy, and no doubt professorships will eventually be offered to "3 per cent" experts at our leading universities. What hope, therefore, in this little column to convey the full flavour of farce the subject so richly deserves. Let us confine ourselves to one example.

Apprehension

The other day the West Germans announced they were raising the allocation to their defence budget in 1981 by DM 700m beyond the sum they had previously planned. Worry and apprehension was promptly expresssed — not, you may be surprised to learn, by the Russians but by Mr. Harold Brown, the U.S. Secretary of Defence (who is about to lose his job but is clearly determined to have one or two final flings).

Mr. Brown's point seems to be that even with the extra DM 700m, West German defence spending in 1981 will still be under the real 3 per cent increase NATO leaders rashly promised to try to achieve each year. To which the only sensible response can be—how does he know?

On the face of it the calculation may seem simple enough. The West German defence budget for 1981 (with the extra DM 700m) totals DM 41.2bn—an increase of 6.2 per cent in nominal terms over the 1980 figure. So surely all we have to do is subtract this year's rise in consumer prices—said by crystal ball gazers to be 4 per cent—and we arrive at a "real" 2.2 per cent increase. Result—shame.

With respect—this is all potty. Acts of God, OPEC and/or the currency markets might easily push the overall rate of inflation above 4 per cent. Does this mean the Germans should be chastised for falling even further behind the NATO target than was previously expected? Or there might be so deep a recession, with so many more bankruptcies and jobless, that the inflation rate might drop to, say, 2 per cent. Will then Mr. Brown inscribe Chancellor Helmut Schmidt on a roll of honour for exceeding his NATO quota? Will Mr. Brezhnev shake in his shoes at this dramatic resurgence of German militarism "in real terms"?

I have carefully avoided going into the tricky issue of whether all NATO countries are simultaneously using a deflater on the same basis to calculate their "real rates." I will therefore not try to make much of a recent table of comparative NATO defence spending, boldly produced by the Institute for Strategic Studies. But I should just mention that it shows (I must be careful now) that U.S. defence spending according to the NATO (not national) definition, deflated by the consumer price index, registered average, annual compound growth between 1970 and 1978 of minus (yes, it's minus) 2.2 per cent. Tut, tut.

That question of NATO and national definitions raises a further small point. You see the 6.2 per cent nominal rise to DM 41.2bn on which argument is concentrating refers only to "Schedule 14, Defence" of the West German budget. Not covered by Schedule 14 are all sorts of things like military aid programmes, military pensions and so on—which are, however, included in the NATO definition of defence spending. Will all these bits and pieces bring Bonn closer to the real 3 per cent? Well, they might—if, for example, a few more foreign crises demanding extra NATO expenditure (not unlikely I should say) are combined with an unusually high wage settlement for the armed forces.

Bungled

Germans who have read thus far with a happy smirk on their faces should be reminded of this. The extra DM 700m being added to the defence budget to the accompaniment of ritual chanting about alliance solidarity is needed because NATO and the Germans bungled the accounting on the cost of the Tornado Multi-Role Combat Aircraft project. It would have been better for all (except perhaps the Warsaw Pact) if that DM 700m had not now been needed—whatever that did to the accursed 3 per cent.

Some pertinent resolutions for the industry

IF EVERY video user had his way, there would be only one videocassette recorder system in the world — one which the tapes from any other machine could be played back. Every sponsor of industrial film would yearn for productions to be finished on budget without the director pressing for expensive helicopter shots or overseas locations (which never seem greatly relevant to the sponsor).

Every producer would wish that sponsors knew exactly what they wanted to say—and would stick to it once decided. And every commentator on this business would wish that manufacturers issued more facts, indulged in less speculation, and gave a clear indication of when one is really the other.

There is now no chance that video recorders around the world will unite in a common standard. Apart from the differences in national television systems (which means that France, Britain and America all operate incompatible broadcast television services), the three incompatible recorded systems are too well entrenched commercially for one or the other to back down. JVC leads with its VHS system, followed by Sony's Betamax, trailed by Philips' V2000—although all appear under a confusing variety of brand names.

There could at least be one realistic New Year's resolution for the manufacturers: not to make their video recorders seem to be quite unique by emphasising the brand name and neglecting the format employed (viz. VHS, Beta and V2000).

When offering to send a videocassette for someone to view, I am beginning to find more people who are not exactly sure what format the Baird, Grundig or Sanyo in their office actually plays (even if they do know the brand name on the machine).

The point about film sponsors and producers will remain unresolved—the inevitable conflict in any mutation of art and function. Yet it would be encouraging to find more sponsors with a clear idea as to *why* they are having a film made. One recent company, of major size, has just carried in its house newspaper a large feature about the making of a new and ambitious series of films—which started their life (so the newspaper says) with a debate on what the films should be about!

For the audio-visual Press, there is no shortage of resolutions they would *foist* on the industry. The one about facts probably preoccupies the minds of all my colleagues. Countless production companies have claimed to have produced Britain's first videogram (and all were wrong); too many manufacturers issue statistics and other data without making often important qualifications (such as the difference between units delivered to retailers and units actually sold); and a few still have an alarming way of dressing up some facts to conceal others.

Yet what would the industry ask of the audio-visual Press in this exercise in resolve? Top of the list, I fear, would be "don't guess—ask us first." Some members of the Press regrettably, do have a reckless habit of guessing (even though asking may still get you nowhere).

FILM AND VIDEO

BY JOHN CHITTOCK

More trivial, but in my view hardly less important, might be: "Do please RSVP to our Press invitations." But the Press might plead in defence: "Please give us more than three days' notice."

Perhaps some of these issues will get aired between the Press and the industry later this year when they meet at the International Video Forum—one of the events taking place this May in London as part of the International Video Week. Details of this are due to be announced at a Press conference later this month (but not embargoed, which otherwise would be another Press grumble from manufacturers — "don't break our embargoes." This includes sending the advertisement manager round to winners of festival awards before the results are announced—a sin committed once by a trade magazine).

There are plenty of other moans from the Press, such as "please caption all pictures you send us." I have a somewhat unique file of photographs on all audio-visual aspects which sometimes gets plundered in emergencies (even for friendly help to others in a fix) —but some of the uncaptioned photographs there may be never credited correctly because my memory is not quite that encyclopaedic.

Suppliers of programmes—video, film or otherwise—have a more serious complaint. To owners of video recorders, their request for your New Year's resolution undoubtedly goes something like "I promise never to make an illegal copy of your programme or loan it to anyone else for that purpose." It applies not only to the visual content, but the music as well, and the industry has been recently shocked to learn that some very large industrial sponsors (better left unnamed) have infringed music copyright in some recent tape/slide programmes. This led the Mechanical-Copyright Protection Society to take legal action against these very respected names in British industry, so be warned.

Film projectionists, conference hall owners and hotel managers also justify quite a long string of resolutions. Projectionists should promise always to look at the screen, where the results of their efforts are being seen—not to have a crafty smoke while the picture is drifting out of focus.

Conferences hall operators should resolve, in many cases, to give their public address systems to charity and instal new ones. And hotel managers should resolve to line their staff up every Monday morning to repeat, in chorus: "We will not chatter or clatter behind the curtains while the film is being shown or the speeches are being made." I know of no major London hotel which is blameless in this respect.

Conference organisers have their own problems too, which every speaker who courageously makes use of a-v aids should recognise by resolving "never again, to arrive five minutes before the session with a handful of unlaballed slides, tapes and films."

How many speakers actually provide a cue-sheet for the poor projectionist, and with all the media neatly cross-referenced? How many indeed even know what a thumb spot is—which on a slide tells the projectionist which way round the slide is to be loaded (by holding the spot top right under the thumb of the right hand).

In this year of rising unemployment and preoccupation with training, perhaps the New Year's resolution to top them all should be made by video and a-v retailers, with the one person in mind who nearly always gets neglected—the customer. The average shop assistant in a video, hi-fi or photographic shop knows less about the subject than the average customer he or she is supposed to be helping.

As a customer I have been exposed to gobbledygook, ignorance, stupidity, lethargy and damned lies, even if somewhat shamefully using my own knowledge to trap unwary assistants and never revealing my identity as a member of the a-v Press.

People who live in glass houses really shouldn't throw stones and there may be mutterings from the industry about the resolutions I should adopt.

Well, perhaps I can anticipate them. In 1981 I will earnestly try to come to every Press show I said I would go to, pay more attention to the medium of tape-slide (a-v's poor relation), and try much harder to ignore artlessness in films if the message is quite good. I may succeed sporadically at the first, completely at the second, and fail with unconcealed relief at the third.

Medoc looks good for Fontwell

RACING

BY DOMINIC WIGAN

NO JOCKEY is seen to better advantage at Fontwell Park than Stephen Smith Eccles, whose reputation has received several well-merited boosts on the Sussex track, and I feel sure he and Medoc will acquit themselves well there today.

They team up in the afternoon's feature event, the £3,000-added Robert Gore Memorial Challenge Handicap.

Although Medoc proved no match for Pilot Officer when beaten by eight lengths in Stratford's J. H. Rowe Challenge Trophy on December 18, I believe his second place was a creditable effort, considering that he got back into the race only in the closing stages.

Medoc will undoubtedly prove difficult to contain off 10 st 7 lbs over this afternoon's extended 3¼ miles, if Smith Eccles can keep him up with the pace.

I feel confident that the task will not prove beyond the pair and that Medoc will come through in the closing stages to take advange of the 8 lbs he receives from Monty Python, whose recent disqualification in favour of Physicist so angered his trainer, Mrs. Pitman.

Few women trainers of Mrs. Pitman's undeniable talent now hold licences, but Miss Auriol Sinclair is one of them. Half an hour after Monty Python bids for compensation, Miss Sinclair saddles Pride O'Malley, my idea of the one they will all have to beat in the opening division of the Pulborough Novices Hurdle.

Slow to come to hand this term after a long lay-off, this smart performer, who might well have coped with Greatham House and Icato in the division of the Worthing Novices Hurdle here a month ago but for a blunder four flights out, is given a reasonably confident vote.

In the second division of that event an hour later, Topseed is another, perhaps unlucky last time out, who could gain compensation.

FONTWELL
1.00—Norfolk Dance
1.30—Vagabond Victor
2.00—Medoc**
2.30—Pride O'Malley***
3.00—Grey Fusilier
3.30—Topseed

STOCKTON
12.45—Governor's Camp*
1.45—Murray's Gift
3.15—Dance Little Lady

TV/Radio

† Indicates programme in black and white

12.45 pm News. 1.00 Pebble Mill At One. 1.45 Fingerbobs. 3.20 Pobol Y Cwm. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Laurel and Hardy cartoon series. 4.25 Jackanory. 4.40 Animal Magic. 5.05 John Craven's Newsround. 5.10 Grange Hill.
5.40 News.
5.55 Nationwide (London and South East only).
6.20 Nationwide.
6.45 Rolf Harris Cartoon Time (London and South East only).
7.15 Taxi.
7.40 Six Of The Best: Dr. Finlay's Casebook.
8.30 Seconds Out.
9.00 News.
9.25 Play For Today.
11.05 The Crystal Gayle Special.
11.55-12.00 News Headlines.

All Regions as BBC 1 except as follows:

BBC Cymru/Wales—5.10-5.40 pm Bilidowcar. 5.55-6.20 Wales Today. 6.45 Cartoon. 6.50 Heddiw. 7.20 Pobol Y Cwm. 7.50-9.00 The Superstars. 11.55 News Headlines. News and Weather for Wales.

Scotland—12.40-12.45 pm The Scottish News. 5.55-6.20 Reporting Scotland. 6.45-7.15 Indoor Bowls. 11.05 When The South Wind Blows. 11.35 News and Weather for Scotland.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 6.45-7.15 Sounds Of Summer. 11.55 News Headlines. News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds); Look North (Newcastle); Look North West (Manchester); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth). 6.45-7.15 East (Norwich)—The Mystery of Margaret Catchpole; Midlands (Birmingham) — Know Your Place; North (Leeds)—Hometown; North East (Newcastle)—Fly The Woodland, Raise The Cave; North West (Manchester)—Sit Thi Deawn; South (Southampton)—Support Your Local ... Magician; South West (Plymouth)—Two Men And A Boat; West (Bristol)—RPM.

BBC 2

11.00 am Play School (As BBC1 3.55 pm).
†5.40 Laurel and Hardy in "Any Old Port."
6.00 The Deceivers.
6.25 For Valour.
6.40 When The Bough Breaks.
6.55 Mid-Evening News.
†7.05 The Tuesday Western: "High Noon," starring Gary Cooper and Grace Kelly.
8.30 Russell Harty.
9.00 Pot Black 81.
9.25 Ireland: A Television History.
10.15 Jake Thackray and Songs.
10.50 Newsnight.

LONDON

9.30 am Showjumping With Harvey Smith. 9.55 Task Group III. 10.40 Young Ramsay. 11.30 Untamed Frontier. 11.55 Beany And Cecil Cartoon. 12.00 Jamie And The Magic Torch. 12.10 pm Pipkins. 12.30 The Sullivans. 1.00 News, plus FT Index. 1.20 Thames News. 1.30 Take The High Road. 2.00 After Noon Plus. 2.45 Catherine Cookson's The Mallens. 3.45 Unforgettable! 4.15 Dr. Snuggles. 4.20 Take A Chance. 4.45 Ace. 5.15 Emmerdale Farm.
5.45 News.
6.00 Thames News.
6.25 Help!
6.35 Crossroads.
7.00 Looks Familiar.
7.30 Ballyskillen Opera House.
8.00 Sapphire And Steel.
8.30 George And Mildred
9.00 Best Sellers: "Beulah Land."
10.00 News.
10.30 Best Sellers: "Beulah Land," continued.
11.20 The New Avengers.
12.20 am Close: Sit Up And Listen with William Rees-Mogg.

All IBA Regions as London except at the following times:

ANGLIA

9.35 am Tuesday Morning Film: "The Inn of the Sixth Happiness" starring Ingrid Bergman and Robert Donat. 12.30 pm Out of Town. 1.20 Anglia News. 3.45 Looks Familiar. 6.00 About Anglia. 6.35 Crossroads. 7.00 Gambit. 11.20 Moura (the life-style of concert pianist Moura Lympany, both in London and at her vineyard in France). 12.05 am Themes

ATV

9.30 am Something Different. 9.45 The Wild, Wild World of Animals. †10.10 The Best of British: "The Winslow Boy" starring Robert Donat and Margaret Leighton. 12.30 pm Gardening Today. 1.20 ATV News. 3.45 Looks Familiar. 5.15 Diff'rent Strokes. 6.00 ATV News. 6.05 Crossroads. 6.30 ATV Today. 7.00 Emmerdale Farm. 11.20 ATV News. 11.25 The 1981 Butlin's Grand Masters Darts Championship. 11.55 Barney Miller

BORDER

9.35 am A Diary of Civilisation. 10.25 Morning Cinema: "Kavik the Wolf Dog." 1.20 pm Border News. 3.45 Looks Familiar. 5.15 The Electric Theatre Show. 6.00 Lookaround Tuesday. 6.35 Crossroads. 7.00 Emmerdale Farm. 11.15 Our Little Town. 11.45 Border News Summary.

CHANNEL

12.30 pm Gardening Today. 1.20 Channel Lunchtime News. What's On Where and weather. 3.45 Looks Familiar. 6.00 Channel Report. 6.35 Crossroads. 7.00 Battle of Jersey. 8.30 The Cuckoo Waltz. 10.28 Channel Late News. 11.20 Pro-Celebrity Snooker. 12.00 Commentaires et Prévisions Meteorologiques.

GRAMPIAN

9.40 am First Thing. 9.45 Bailey's Bird. 10.10 The New Avengers. 11.05 Murphy's America. 12.30 pm Simply Sewing. 1.20 North News. 3.45 Looks Familiar. 6.00 North Tonight. 6.35 Crossroads. 7.00 Welcome to the Ceilidh. 11.20 Reflections. 11.25 Quincy. 12.20 am North Headlines.

GRANADA

9.30 am Tuesday Matinee—Edward Judd in "First Men in the Moon." 11.00 Sesame Street. 1.20 pm Granada Reports. 3.45 Looks Familiar. 5.15 Different Strokes. 6.00 Granada Reports. 6.25 This Is Your Right. 6.30 Crossroads. 7.00 Emmerdale Farm. 11.20 After All That, This. 11.30 The New Avengers.

HTV

10.00 am "Heavens Above!" starring Peter Sellers. 12.30 pm Play It Again. 1.20 HTV News. 3.45 Looks Familiar. 5.15 Bear's Tale. 5.20 Crossroads. 6.00 Report West. 6.30 Three Little Words. 7.00 Emmerdale Farm. 10.28 HTV News. 11.15 The Woman With The Veil.

HTV Cymru/Wales—As HTV West except:—12.00 Peli a Pili. 12.05-12.10 pm Calimero. 4.15-4.45 Gwesty Gwinon. 6.00 Y Dydd. 6.15-6.30 Report Wales. 11.15 World in Action. 11.45-12.40 am Have Girls Will Travel.

SCOTTISH

9.30 am Reflections In A Pond. †9.40 Feature Film: "Twelve O'Clock High" starring Gregory Peck. 11.50 The Bubbles. 12.30 pm Gardening Today. 1.20 News Headlines and road and weather report. 1.30 The Eagle. 3.45 Looks Familiar. 5.15 Tales of Crime. 5.20 Crossroads. 6.00 Scotland Today. 6.20 Job Spot. 6.30 What's Your Problem? 7.00 Emmerdale Farm. 11.20 Late Call. 11.25 Ulster Entertains.

SOUTHERN

9.30 am Kum Kum. 9.55 Lost Islands. 10.20 Stars on Ice. 10.45 "Casper the Friendly Ghost." 10.50 Animated Classics. 11.45 Larry the Lamb. 1.20 Southern News. 3.45 Looks Familiar. 5.15 Cartoon. 5.20 Crossroads. 6.00 Day by Day. 7.00 Emmerdale Farm. 11.20 S.W.A.T.

TYNE TEES

9.20 am The Good Word. 9.25 North East News. 9.30 Survival. 9.55 Alphabet—The Story of Writing. †10.20 Morning Movie: "Fanny By Gaslight" starring Phyllis Calvert and James Mason. 1.20 pm North East News and Lookaround. 3.45 Looks Familiar. 5.15 Diff'rent Strokes. 6.00 North East News. 6.02 Crossroads. 6.25 Northern Life. 7.00 Emmerdale Farm. 10.30 North East News. 11.20 Music Special. 12.10 am The Visit of the Wise Men.

ULSTER

10.00 am Tarzan. 11.00 Sesame Street. 1.20 pm Lunchtime. 3.45 Looks Familiar. 4.13 Ulster News. 5.15 Cartoon Time. 5.20 Crossroads. 6.00 Good Evening Ulster. 7.00 Emmerdale Farm. 11.20 Gardening Today. 11.50 Bedtime.

WESTWARD

9.30 am The Amazing Years of Cinema: 9.55 Feature Film: "Run Wild, Run Free" starring John Mills. 11.30 Survival. 12.27 pm Gus Honeybun's Birthdays. 12.30 Gardening Today. 1.20 Westward News Headlines. 3.45 Looks Familiar. 5.15 Emmerdale Farm. 6.00 Westward Diary. 6.35 Crossroads. 7.00 Mark It. 8.30 The Cuckoo Waltz. 10.31 Westward Late News. 11.20 Pro-Celebrity Snooker. 12.00 Faith for Life. 12.05 am West Country weather and shipping forecast.

YORKSHIRE

9.30 am Call It Macaroni. 9.55 Bailey's Bird. 10.20 Roman Holidays. 10.45 Natural Environment. 11.00 Tarzan. 1.20 pm Calendar News. 3.45 Looks Familiar. 6.00 Calendar (Emley Moor and Belmont editions). 6.35 Crossroads. 7.00 Emmerdale Farm. 11.15 The Monte Carlo Show, starring Liberace.

RADIO 1

(S) Stereophonic broadcast
‡Medium wave

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Steve Wright. 11.00 Andy Peebles. 12.30 pm Newsbeat. 12.45 Paul Burnett. ... 4.32 Peter Powell. ... 8.00 Richard Skinner. 10.00-12.00 John Peel (S). [illegible]

RADIO 2

5.00 am News Summary. ... [illegible]

RADIO 3

6.55 am Weather. 7.00 News. ... Overture (S). ... Morning Concert (S). ... This Week's Composer ... Northern Sinfonia Orchestra (S). ... Fitzwilliam String Quartet (S). [illegible]

RADIO 4

6.00 am News Briefing. 6.10 Farming Today. ... [illegible]

BBC Radio London

5.00 am As Radio 2. ... [illegible]

F.T. CROSSWORD PUZZLE No. 4,461

ACROSS

1 A grave circular letter doctor follows could be explosive (4, 4)
5 Tone of voice, a sign that could be grave (6)
10 Engineers make ready to assemble again (5)
11 Cooks joint in vessel (9)
12 Broke cask of wine in chimney (9)
13 Publication for children (5)
14 Suddenly seize soft feline (6)
15 Conscript with floating stucture in river (7)
18 Within audible distance and what one is said to get when spoken about (7)
20 Spirit needed to beat up your leader (6)
22 Right in front of mountain range in the country (5)
24 Socialist and German worker are superfluous (9)
25 A very soft finish before time in addition (9)
26 Officer Commanding soldiers with a sheath (5)
27 To sharpen this particular way is honourable (6)
28 Take nips mixed in mental hospital (5-3)

DOWN

1 Check a stoppage (6)
2 Not very well and not a good match (3-6)
3 Read this to infer where trains run (7, 3, 5)
4 Fail to hit French island using rocket-launched weapon (7)
6 Hairdresser I race to a tress of hair, but one must know the secret for its opening (11, 4)
7 Moral significance of those whose end comes first (5)
8 Superior covering layer (3-5)
9 Member going to finish story (6)
16 Have a drink and be hanged (4, 1, 4)
17 Fruit to secure for partly purified potassium carbonate (5-3)
19 Checked pattern in sharp article (6)
20 Bird or duck winged strangely around (7)
21 Narrow passage sounds flat (6)
23 Mature Religious Instruction to write (5)

Solution to Puzzle No. 4,460

H	O	L	D	W	A	T	E	R		P	I	T	C	H
A		A		E		O		E		U		E		A
B	A	S	I	L		U	R	S	A	M	I	N	O	R
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R	O	W	A	N		D	I	N	I	N	G	C	A	R

ENTERTAINMENT GUIDE

OPERA & BALLET

COLISEUM. S. 836 3161. CC 240 5258. ENGLISH NATIONAL OPERA. Tomor. & Sat. 7.30: Tosca. Thurs. 7.30: The Merry Widow. Fri. 7.30: The Barber of Seville. 104 balcony seats avail. from 10am on day of perf.

COVENT GARDEN. [illegible]

ROYAL FESTIVAL HALL. [illegible]

SADLER'S WELLS THEATRE EC1. Tel. 01-837 1672-7856-7505. Credit Cards 10 am to 8 pm. 01-278 0871. Until Feb 21 D'OYLY CARTE presents GILBERT & SULLIVAN OPERAS. Evs. 7.30 Mats Sats & Tomor at 2.30. Until Tomor HMS Pinafore. Thurs until 14 Jan The Yeomen of the Guard. Tkts £2.00 to £7.50.

THEATRES

ADELPHI. CC 01-836 7611. Eves. at 7.30 Sat. 4.00, 7.45. Mats. Thurs. at 3.00. TONY BRITTON, CAROLINE VILLIERS, PETER BAYLISS and ANNA NEAGLE in MY FAIR LADY. Group bookings ring 01-836 7358 or 01-379 6061.

ALBERY. 836 3878. CC bkgs. 379 6565. Gp. bkgs. 836 3962 or 379 6061. Eves. 8.00. Thurs. Mat. 4.30. Stalls £2.90-£7.90. Sat. 5.00 & 8.15. Sian Phillips, Denis Lawson, Rodgers & Hart's PAL JOEY.

ALDWYCH. S. 836 6404. CC 379 6233 (10-6, Sats. 10-4). Info. 836 5332. ROYAL SHAKESPEARE COMPANY. Premiere production PASSION PLAY by Peter Nichols. Low price prevs. Thu., Fri., Sat. 7.30. Personal and telephone bookings now open for Nikolai Erdman's THE SUICIDE and O'Casey's JUNO AND THE PAYCOCK. For RSC Prestel booking key 22023. Group sales box office 379 6061. RSC also at The Warehouse, Piccadilly.

AMBASSADORS. S. CC. 836 1171. Eves. 8. Tue. Mat. 3. Sats. 5.30 & 8.30. FIRST WEST END PRODUCTION SINCE 1938 of J. B. PRIESTLEY'S Mystery Play DANGEROUS CORNER. Critics of THE FINANCIAL TIMES, DAILY TELEGRAPH, THE TIMES, THE OBSERVER, ALL ACCLAIM THIS REVIVAL OF PRIESTLEY'S MOST POPULAR PLAY. Prices £2.50 to £5.50.

APOLLO. S. CC. 01-437 2663. Grp. sales 379 6061. Eves. 8.00. Wed. & Sat. 5.00 & 8.00. RODNEY BEWES, FRANCIS MATTHEWS in MIDDLE AGE SPREAD. Comedy of the Year. West End Theatre Awards of 1979.

APOLLO VICTORIA. Tel.: 01-828 6491. 834 2819. Daily 2.30 & 7.30. Sat. 4.30 & 7.30. LAST 5 DAYS. LITTLE & LARGE CHRISTMAS CRACKER. Special Guest Star SHEENA EASTON. Tickets £2.50, £3.50, £4.50. Credit Cards Accepted.

CAMBRIDGE THEATRE. S. 01-836 6056. Credit cards hotline 01-836 7040. 01-240 5879. JOAN COLLINS, SIMON WILLIAMS, JAMES VILLIERS, ELSPETH MARCH & MICHAEL ALDRIDGE in THE LAST OF MRS. CHEYNEY. Directed by NIGEL PATRICK. Evs. Mon.-Fri. at 8.0. Wed. 3.0. Sat. 5.0 & 8.30. Anti-inflation policy — seats at £1.50, £2.50, £4.00 in stalls and royal circle. Students, Nurses, OAPs £1.50. Group sales 379 6061 and 836 6056. LAST 3 WEEKS—SEASON ENDS JAN. 24.

CHICHESTER. [illegible]

COMEDY THEATRE. [illegible]

CRITERION. [illegible]

DUCHESS. [illegible]

DUKE OF YORK'S. [illegible]

FORTUNE. [illegible]

GARRICK. [illegible]

GLOBE. [illegible]

GREENWICH THEATRE. [illegible]

HAYMARKET. THEATRE ROYAL. CC. 01-930 9832. FOR 12 WEEKS ONLY. MAGGIE SMITH in VIRGINIA. Opens Jan. 29. Previews 27 and 28.

HER MAJESTY'S. 930 6605. S. CC. Evgs. 8. Sat. 5 & 8.15. Wed. Mats. 3. [illegible]

LYRIC. S. CC. 01-437 ... 8.00. Wed. 3.00. Sat. ... DINSDALE LANDEN ... in ALAN AYCKBOURN'S ... STEPS. [illegible]

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THE ARTS

The year in opera by MAX LOPPERT

The year ended with a bang—or, more accurately, with the snap of Arts Council scissors, slashing away its grant to the newest and most promising festival in Britain. The sum of money withdrawn from the Buxton Festival is not huge (£5,000, I believe); the act cannot compare, in sheer lunacy, with the decision simultaneously taken to remove state support from the National Youth Orchestra. It is the gesture that gives cause for concern. Indeed, the Arts Council's Bloody Thursday leaves in its aftermath a trail of questions. By what means were this year's unprecedented decisions, to increase aid to certain arts "clients" and to withdraw it from others, reached? Why was the business conducted in a shroud of secrecy? Why the "no appeal" ruling? And on what grounds, on what evidence, after what degree of lobbying, was it decreed that artistically bankrupt institutions such as, for example, the Royal Philharmonic Orchestra and the Cheltenham Festival should continue to be patronised — the latter with an unbelievable *increase* of funds — while the NYO and Buxton, youthful, adventurous, demonstrably breaking new ground, get the chop?

I don't claim that all was perfect at Buxton, in its second year of existence; no-one in his or her right mind would. The "Shakespeare operas," both of them relative rarities backed up by concerts and by the English première of the Maxwell Davies *Cinderella*, failed to attract the audience numbers deserved by the high standard of their presentation. It has been variously suggested that the festival administration was inefficient, that advertising and general drum-beating procedures were insufficient, that the programme was altogether too recherché for the taste of a still uncharted Northern festival audience.

There may be truth in all of these suggestions—or in none. The fact is that good festivals of any kind, and in any place, have all had to invent their own existence, their own demand; every famous festival has had its teething troubles, its errors of judgement, its disasters only narrowly skirted. Buxton has everything going for it: a welcoming local population (what festival visitor ever felt welcome in Cheltenham?); a beautiful location, abundant in amenities; a theatre intimate, charming, and apt for a wide range of opera. This year these incidental pleasures were the background to two productions of genuinely festival standard—Ambroise Thomas's *Hamlet* and the Berlioz *Beatrice and Benedict*, both of them eliciting a rare complicity of critical and audience enthusiasm. The cheers from the gallery for Thomas Allen's Hamlet still echo in my memory. Did all this mean nothing to the Arts Council?

What needs justifying, I think, is not the soundness of the new prune-and-fertilise principle but the method and the skill of its application. Nothing has happened to shake the foundations of my own personal faith in the necessary existence of the Arts Council itself, a faith in any case strengthened during the past year by the ever-enlarging spectacle of arts companies out with their begging bowls for sponsorship from private sources, and by some of the disturbing (and increasingly visible) side-effects of such sponsorship. Strong voices (notably Rodney Milnes' on Radio 3 and Alan Blyth's in the Daily Telegraph) were heard inveighing against the more prominent of these: the respectability thus conferred on the tobacco company sponsors (at what point, one wonders, will it be announced that a firm of *arms*' manufacturers is to sponsor some or other production at Covent Garden?); the distasteful amount and kind of free advertising given in exchange; the support for the safe and the glossy in preference to the untried and the unpredictable; and the danger that changes in boardroom policy or personnel may lead to unexpected withdrawal of support.

At the première, on December 15, of the new Royal Opera *Tales of Hoffmann*, a choice opportunity was given to witness, as it were in close-up, the double-edged benefits of commercial sponsorship in action. By this I don't only mean the production itself: for the first interval, all but a narrow strip of the Covent Garden downstairs foyer had been roped off, and the "ordinary" audience member was forced to gawk from the side-lines while the guests of the Imperial Group, supporters of the production, drank their champagne and nibbled their canapés. It is no fault of the Royal Opera that in inflationary times, with ruinously high VAT on seat prices still unchecked, money is in ever shorter supply, and has to be accepted whence it is offered. But one wonders how much this company, or for that matter the Welsh National, with its Amoco links paraded on every throwaway, has considered the possible side-effects of its affiliations.

For whatever reason, it was for me a year of dull respectability at Covent Garden: no major disasters to compare with those of recent seasons, no moments of breathtaking artistic adventure, and the most exciting revival—the *Otello* in which Placido Domingo and Carlos Kleiber joined forces for the first time in London—an eleventh-hour substitution for the postponed *Andrea Chenier* rather than a result of long planning. The choice of operas was "safe," the hoard of less-familiar pieces in the company's keeping left well out of sight; new productions — *Lucrezia Borgia*, *Simon Boccanegra*, *Hoffmann*—constituted bread-and-butter repertory renewals (the third-listed, introducing John Schlesinger to the opera stage, will, I feel sure, come to be recognised as a canny long-term investment once the expense of unnecessary multiple casting has been recouped).

Apart from Sylvia Sass's ludicrous Norma, and Katia Ricciarelli vocally uncomfortable in an ill-advised "authentic" *Lucia di Lammermoor* ("case unproved," it seems to me), the process of casting seemed less haphazard; I remember with particular pleasure the restrained glow of Frederica von Stade as Massenet's Charlotte, Jon Vickers' titanic Tristan, the warm-hearted teamwork of *la fanciulla del West* still unstaled, Kiri te Kanawa in full sail as the *Boccanegra* Amelia, Domingo vocally and dramatically unstinting as Othello and Hoffmann, Robert Lloyd's Lindorf, Ileana Cotrubas an exquisitely affecting Antonia, and Thomas Allen's Papageno and Count Almaviva. In London, indeed, in the Buxton *Hamlet*, and in the title role of the new Welsh National *Eugene Onegin*, Mr. Allen afforded further proof that he is one of the most completely gifted opera performers this country has produced in several decades.

The English National Opera was on characteristic form. Or forms—for these vary widely, and ranged in 1980 from new productions of *The Barber of Seville*, *Così fan tutte*, *Arabella*, and a *Count Ory* revival all demonstrating the joys of ensemble opera, of closely meshed teamwork and musicianship, as an active principle rather than a rose-tinted memory; to a new *Fidelio* hideous to the eye and grossly thumbprinted with the heavy Teutonic didacticism of its producer, Joachim Herz, a new and very full edition of the *echt Boris Godunov* sadly lacklustre and inefficient on its opening night, and a revival of Michael Geliot's spectacular but essentially (and deeply) foolish *Damnation of Faust* staging.

In the middle ground, the company continued to go solidly about its basic business, that of undertaking solid presentations of opera and operetta in English; in revivals of *The Force of Destiny* and *La Belle Hélène* and a new *Merry Widow*, strengths outweighed weaknesses. Company favourites shone with undimmed brightness—Valerie Masterson exquisitely witty in *Count Ory*, the Arabella and *Forza* Leonora of the eloquent and impassioned Josephine Barstow triumphant over vocal idiosyncrasies, Elizabeth Connell's Marina a spark amid the *Boris* gloom—while guests (Linda Esther Gray in *Aida*, Norma Burrowes admirably natural and touching as the *Arabella* Zdenka, Felicity Lott a Fiordiligi of unforced radiance) lent new lustre. Good tenors of the heavier kind seemed in shorter than ever supply; and, with each year that passes, the toll imposed on company resources by the Coliseum, London's largest theatre, comes to seem more onerous—whenever a master of theatrical projection like Charles Mackerras (*Così* a brilliant display of his multifarious skills) was not in the pit, only the biggest operas felt truly at home there.

Katia Ricciarelli, Thomas Allen, Joan Sutherland, and Placido Domingo

Leonard Burt

I went out of London less frequently than in past years, and can report at first hand on too few regional events. Scottish Opera's financial problems are grave; a solution to them must be found, because the company appeared this year to have emerged intact and even robust from its recent trough — the new *Wozzeck*, with Benjamin Luxon, was widely admired, the new *Tosca* (brought forward by Anthony Besch to the Mussolini era) found diverting if superficial, and during a short London season at Sadler's Wells it was heartening to watch and hear the full force of its energies so generously exerted on behalf of Thea Musgrave's *Mary Queen of Scots* (to my mind, a lost cause). Welsh National Opera continues to expand its repertory in directions that shame the cautiousness of bigger companies: Dvorak's *The Jacobin*, the over-fanciful yet unforgettably romantic Andrei Serban production of *Eugene Onegin*, the premiere of Mathias' *The Servants* (even if the music failed to do justice to the Iris Murdoch libretto) were three bold steps boldly taken. In the basic repertory a cruder standard of performance was on occasion allowed to obtain than fans of the Welsh might like to admit.

For English National Opera North is was an impressibly shaped year of development. My own experience of this exhilarating young company's work was confined to a heart-rending *Jenufa* and a delightful *Elixir of Love*; but new productions of *Nabucco* and the Delius *Village Romeo and Juliet* and Northern showings of London-originated productions of Bennett's *Mines of Sulphur*, *Der Rosenkavalier*, and *Count Ory* indicated both the proud independence of ENON and the intelligent interdependence of northern and southern English National companies. *Falstaff*, Kent Opera's latest Verdi collaboration between Jonathan Miller and Roger Norrington, was a typical mixture of uncontrived sensitivity and thinness, both dramatic and musical. Much more to my taste, though, than the thin grey gruel of a *Traviata* served by the same forces during the Kent Opera London sojourn.

Glyndebourne opened its doors with an appalling new *Entführung*, decked by Peter Wood — with birdcages and silly, unmusical bits of business. The second new production — the rest of the season being devoted to revivals of *The Flute*, *Falstaff*, and *La fedeltà premiata* — caused no less of a stir. Erté's outrageously flamboyant settings and costumes for *Der Rosenkavalier* were found either vulgar and heartless (by those who adore the opera) or revelatory (by those whose enthusiasm for it is not unlimited). Being among the latter, I found myself enjoying it as seldom before, and admiring John Cox's sharply witty reappraisal of the characters, made possible in such a scene and also by the muscular, fat-free conducting of Bernard Haitink. Edinburgh this year renewed its habit, last year abandoned, of exhibiting a foreign opera company. The opening *Così* of the Cologne visitors under their conductor John Pritchard was notable only for its ordinariness; the subsequent Cimarosa *Matrimonio segreto* was worth the visit, both theirs and the audience's. The earlier-mentioned *Wozzeck* and a new *Cunning Little Vixen* were the Scottish Opera contributions, the latter shared with the Welsh: Peter Maxwell Davies' latest music theatre undertaking, *The Lighthouse*, given by the Fires (and supported, with a broadmindedness rare among commercial sponsors, by Tennant Caledonian) struck everyone with its dark, mesmeric power.

Fringe and student opera, a field peculiarly rich and fertile in this country, showed little sign of reduction in activity forced by hard times. *Inter alia*, Gazzaniga's *Don Giovanni* (it came before Mozart's) and Prokofiev's *Duenna* cropped up in London, Spohr's *Jessonda* in Oxford: I was glad to have encountered the Spohr, an important work of early German Romanticism, but hope never to have to do so again. Financial stringency, on the other hand, has cut a wide swath through the once generous provision of studio-performed opera on Radio 3 (who remembers the bounty of the French Opera Festival of 1973?) Neat little productions of Offenbach one-acters and an opportunity to hear Strauss's rarely given *Die Liebe der Danae*, excellently led by Arlene Saunders, Norman Bailey, and Charles Mackerras, made plain that it is shortage of money, not of good ideas, that has slowed to a trickle the good works of the Opera Department.

1980, was of course, the Offenbach centenary year; no celebration of it was more enjoyable than the *Geneviève de Brabant* put on by the John Lewis Music Society, whose annals (and whose early promotion of future stars) since the war are impressive to consider. It was a good year for opera in concert. Solti's *Rheingold* with the LPO reminded London of his special Wagnerian qualities; Busoni's *Doktor Faust* (too much cut) and the luxuriantly lyrical *Francesca da Rimini* of Rakhmaninov were the happy rediscoveries of the BBC orchestra; the English Bach Festival unearthed Cavalli's *Ercole amante* to general acclaim. For me, two of the year's highest highlights — of any kind — were both supplied by the matchless London Sinfonietta and conductor David Atherton, the first a concert performance (due to be transferred to disc), the second a set of Decca records preserving the memory of a superlative 1979 concert performance. Tippett's *King Priam* was the first, Birtwistle's *Punch and Judy* the second—both "problem" pieces that, when performed with such brilliant assurance, shed their problems and stir the listener to immoderate enthusiasm.

Queen's Gallery

Canaletto by DAVID PIPER

As I returned to start writing this, icy rainwater infiltrated my socks; horizontal sleet plastered my raincoat against a failing body. I hope it is not so in Venice itself on a January morning, and the Piazza S. Marco not under water. Down at Buckingham Palace, the weather in Venice is set fair. They've changed the pictures at Buckingham Palace, and the Queen has had all her Canalettos cleaned, and arrayed, lustrous, radiant, in her public Gallery (nb—closed on Mondays). They are scheduled to be visible there all through 1981, but perhaps for maximum benefit, the Londoner should take brief holiday in their perpetual summer of content from his own winter.

The Royal Collection holds the finest collection of Canalettos in the world, thanks in the first place to his inspired if not perhaps very agreeable major patron and agent, the Englishman resident in Venice, Consul Smith. Thanks in the second place to George III who around 1762 bought Smith's collection. The selection now shown includes 45 paintings, 51 drawings, 11 etchings, almost all from Consul Smith's holdings. Smith had virtually first pick of Canaletto's output from about 1726 to 1746, when Canaletto migrated temporarily to London, and even after. Thus, even though some of the most superb masterpieces either did not come to him or were not retained by him, the quality of his examples is very high indeed, and it is the opportunity to see Canaletto at the peak of his form that is to be grasped, for not only do mechanical dried-out copies or pastiches abound in England, but so do other mechanical dried-out pieces that are sometimes indeed by Canaletto himself or from his shop. One English vice amongst others is to drive artists to whom they take a fancy into over-production, and Canaletto was no exception. At his best he is superb, a great painter who magisterially enlarges the prose of topography with the inspiration of poetry; at his worst he can be repetitive, mechanical, and simultaneously laborious and slickly slapdash. The virtue of this exhibition is that, while it does not dissemble and indeed illuminates very clearly how along his career he began to imitate himself and take short-cuts, overall it shows him at his best.

By the time George III was buying, Canaletto had come and gone from England, but well before he came, his clientèle had been primarily English—grand tourists, for whom Canaletto distilled the visual essence of the city that has always most bewitched the English traveller, into radiant unfading crystal. Super post-cards, it is often suggested. His influence on our native school of townscapists has been enduring. Turner, even, admired him; Girtin, Bonington and Shotter Boys all acknowledge him in their work, and most recently Algernon Newton—though one may wonder if the actual canal-side streets, that Newton loved to paint—"little Venice"—near Paddington were not themselves built with Canaletto in mind. So for us, the nature of his vision is not new; the shock of this exhibition is the shock of the familiar revealed as ever self-renewing.

The splendid freedom of Canaletto's early manner, in the 1720s, is represented by six large masterpieces of the Piazzetta and the Piazza S. Marco, or rather, on the theme of those spaces. He is already combining strict accuracy of drawing, at times disciplined by the use of dividers, compass and ruler, with an arbitrary disregard for the accurate placing, or even dimensions, of what is drawn in the interest of creating the most interesting visual ensemble. He combines several view points in the one perspective; he now shrinks; now extends, the height of his own campanile. This habit later enraged Ruskin, who considered Canaletto "a little and bad painter" probably not least on ethical grounds; for us, in his early work, it served in the creation of compositions of a richness that seems comparable to that of opera, almost sonorous, an impression heightened by the exotic panache and gesture of the figures "on stage." These are much more fully integrated into the whole, than was to be the case later, when Canaletto's figures tended to be expressed in a kind of shorthand of commas, dashes, blobs of pure brilliant colour—a technique almost of notation of grace notes on the grid or score of the architectural setting (always virtually completed before the figures were added over it). Sometimes it works, delightfully, unlike a much more mechanical shorthand used in his latter days for indicating water moving in light.

The drawings (arranged in the balcony of the Gallery) shed some light on his workings, although the one element in his work lacking is representation of the working pencil studies which he made on the spot. Personally, however, over the years, I have become ever more bewitched by the etchings, in which his line seems to take on a fresh and nervous vitality and freedom (I once enlarged one for a poster, and it came out looking like a drawing by Van Gogh).

The focus of interest on Canaletto has been fairly intense over the past 20 years, but the excellent catalogue (including some splendid details in colour) succeeds in enlarging our knowledge not only of his working methods, but of his patrons and his career. The exhibition itself however offers essentially celebration of a brilliant talent that rose at moments to genius, and, to all who have ever visited Venice, the ideal reincarnation of a memory of haunting, floating beauty. Let us hope that for those who have not yet been, it is a vision that they will be able to confirm in Venice itself, that Venice does not sink in those waters that are integral to its enchantment but that now threaten its existence. Canaletto painted London too, and there are noble panoramas here from Westminster up the Thames to St. Paul's, radiant and regal amidst the attendant spires of Wren's churches. That view is a memory that none of us have, surviving alone in Canaletto's paintings and drawings.

The Piazzetta looking towards the Torre dell Orologio, c. 1726-8

Covent Garden

Cinderella by CLEMENT CRISP

Wendy Ellis brings to the role of Cinderella many of the best qualities of the Royal Ballet style. Her dancing is fleet, meticulous in setting out the choreography, easily musical. Her pretty, bright feet and the quick, light tone of her movement endow the fireside waif of the first act with a vivacity that brings the girl to charming life. By temperament an eager artist—a fact which MacMillan turned skilfully in on itself in *Mayerling* so that Ellis's created role as Rudolph's bride seemed a character driven to hysteria—she always dances with an entire involvement.

On Saturday afternoon this liveliness of spirit and animation of style were delightful: here was a Cinderella who found in her fantasy dance with the broom in Act 1, and in its mirror-image in Act 3 when she recalls the delights of the ball, occasions for beguiling dancing and who maintained a mood of rapture throughout the ballroom act. If there were moments of grandeur under-stated in Act 2, when Cinderella's choreography seems to call for the ballerina rather than the ecstatic girl, in everything Wendy Ellis made a touching heroine, absorbed and happy with the role, making plain the merits of Ashton's choreography and the Ashton style.

This was especially significant in view of the sometimes hurried performances by other soloists. It is good to see new young casts as the Season fairies: Saturday's quartet were all gifted débutantes and experience will bring greater clarity in displaying their variations and less of a flurry of steps. Fiona Chadwick, as the Winter Fairy, alone seemed to dance from a position of strength rather than darting to keep up with the choreography. Pacing, control of means will come—as, too, with Douglas Howes' promising Jester—and, I hope, greater tidiness from the male quartet of the Prince's friends.

Mark Silver was the Prince. A dancer of elegant, unforced presence, able to convey nobility by the clear line and generous proportions of his dancing as by his good stage manners, he seemed at less than his best in the big technical moments of the second act, though his youthful lyricism was exactly what any Cinderella should dream of, and expect to find, at a ball. The sparkling ensemble of the stars continues to be a particular pleasure of this revival; the orchestral playing does not.

Arts news in brief

The Royal Shakespeare Company is to stage two new plays in London this month: Peter Nichols's latest work, *Passion Play* opens at the Aldwych Theatre on January 13 (previews from January 8) and Jonathan Gems's *Naked Robots* opens at The Warehouse on January 19 (performances from January 14).

Passion Play is the second Peter Nichols play to be premiered by the RSC—*Privates on Parade*, winner of five major awards, opened at the Aldwych in 1977 and later transferred to the Piccadilly Theatre. *Naked Robots* is Jonathan Gems's first play to be staged by the RSC. He was joint winner of the George Devine Award in 1978 for his play *The Tax Exile*.

*

On January 22 the Hallé Orchestra and principal conductor James Loughran set out from Manchester Airport to begin the longest ever Hallé tour. The orchestra will give ten concerts at the Hong Kong Festival and then travel to Australia where they will give a further eight concerts.

They return home on February 24 and will give a "Welcome Home" concert at the Free Trade Hall on Thursday, February 26.

*

The members of the Magic Circle have released a *Magic Circle Record* (£4.95, Technical Records, 23 St. Ursula Grove, Pinner, Middlesex). It contains bands by Paul Daniels, Terry Seabrooke, Kovari, David Berglas, John Fisher and many other adepts of the Circle. It seems aimed at a young boy or girl who wishes to learn a few tricks and gags to play on his family. On the face of it an LP beamed at demonstrating something so essentially visual as conjuring would appear to be a non-starter, but with diagrams and verbal instructions all over the sleeve it works rather well and is probably better value for the beginner than the conventional magic set.

A.C.

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Bank profits and salaries

THE UK clearing banks, which have just rejected out of hand a 20 per cent pay claim by the bank employees, are well aware that they face the most difficult round of bargaining for many years. Those who lend money at a time of general financial strain have been unpopular throughout human history: bankers are no doubt resigned to finding themselves somewhat friendless this year. An excessive pay rise would be very damaging.

The central difficulty has not changed down the centuries: moneylending is most profitable, but also most risky, when most other ventures are in difficulties. The profits are published and obvious—though, in the view of many accountants, understated. The risks are far less easy to assess.

Fortuitous

The clearing banks admit freely that a large part of the steep rise in their UK profits —up between 70 per cent and 90 per cent in 1979, with a smaller but no doubt still substantial increase in 1980—is largely fortuitous. It arises from a regime of high interest rates imposed by the Government, coupled with the lazy habit of English (but not Scottish) bank customers of keeping substantial balances on current account. However, even if it is "undeserved," this access of profit is claimed by the banks to be necessary: at a time of increasing lending risk, including what are claimed to be substantial unpublicised industrial support operations, large retentions and bad debt provisions are required.

It is not only lack of positive evidence which makes this argument unconvincing. If bad debt provisions are adequate, then there is no "need" for the capital base to grow any faster than the total balance sheet; and more than one bank has recently confirmed the arguments of the accountants by proposing to transfer previous bad debt provisions to shareholder's funds.

Further the so-called "endowment" of interest-free deposits is hardly an immutable fact of life. It suggests rather that the clearers form a distinctly lazy cartel when it comes to wooing retail customers—a suspicion confirmed by the rapid progress of the building societies at the expense of the clearing banks. Finally, there is something unattractive at the idea of any group of privately-owned enterprises profiting largely out of a Government policy designed to squeeze inefficiency out of the economy.

Warning shot

For all these reasons it is not at all surprising that there is a vocal group in the Cabinet, including Mr. Nigel Lawson, who believe that it would be just as legitimate to tax the banks on the profits they derive from high interest rates as it is to tax oil companies on the profits arising from the price structure dictated by OPEC.

This argument has been fought and lost before, and the present renewed talk of a special tax may be partly intended as a warning shot for the wage negotiations; for it is clear that an excessive settlement could tip the scale finally against the banks. If large retentions are really needed against various future contingencies—including a decline in profits when interest rates fall—then a defence can still be mounted; but if they are available for salaries, the defence largely collapses.

Doubts

These are the lines on which the battle will probably be fought in the coming weeks, and they make a rough sense of the argument: but it will be a pity if the broad and legitimate doubts which have arisen in recent years over the role of the clearing banks is reduced to a squabble over one wage round and a once-for-all tax.

For the last decade the lack of effective consumer marketing in retail banking—including, notably, the reduction in banking hours imposed by the bank unions—have raised doubts about how far the mergers of the 1960s produced a structure which is either competitive or efficient. The huge growth of the building societies—and the huge incidental boom in residential property values—which has been one result is widely regarded as a damaging distortion of the economy. The temporary bulge in profits is only one visible symptom of a malaise which requires deeper analysis, and possibly more radical treatment, than a tax.

The violence in El Salvador

POLITICS in the small Central American republic of El Salvador become increasingly violent by the day. In the course of last year about 9,000 people were victims of politically motivated killings as left and right fought for power in the country. The future direction of the country is a matter of more than local importance: it poses an awkward problem for the incoming Reagan Administration.

Civil war

There can be no doubt that the country is in the grip of a bitter civil war. On one side is an amalgam of the left. On the extreme fringe of this group is a collection of intensely sectarian Marxist-Leninist guerrilla groups: they are gradually coming to realise that their best chance of success is to cease feuding among themselves and to unite with other more representative forces in an attempt to overthrow traditional conservative rule. Belatedly they are starting to unite with more moderate forces of the left of centre and the centre. The guerrillas are presently cooperating with the social democrats and with dissident Christian democrats in a somewhat uneasy coalition which aims to break the hold that the so-called Fourteen Families of El Salvador have exercised on the country for generations. As the left abandons its sectarianism so the tide of political advantage swings against the well-armed and well-entrenched right.

The right is headed by President José Napoleón Duarte, a former mayor of San Salvador and leader of the Christian democrats. He is the leader of a junta which controls the armed forces and attempts somewhat ineffectually to extend its influence over the paramilitary terrorist groups of the extreme right.

Counter-weight

As the killings continue it is more and more clear that in this highly polarised country there are no significant political forces in the centre which could be built up as a counter-weight to the right and the left. In this respect El Salvador is reminiscent of its neighbour Nicaragua where two years ago the population was sharply divided between those who backed the continuing rule of General Anastasio Somoza and those who were determined to oust him.

President Duarte is far from being a carbon copy of the last member of the Nicaraguan ruling dynasty but as support ebbs away from him his position is becoming progressivly as beleaguered as General Somoza's was at the beginning of 1979. Few political observers would hazard a prediction about how long President Duarte will remain in office.

The situation in El Salvador is certain to have figured in the talks in Mexico yesterday between Mr. Ronald Reagan and President José López Portillo. Mr. Reagan is publicly committed to renewed support of right-wing governments in Latin America which he sees as friendly to the West and to the U.S. in particular. Some of his advisers have spoken of the benefits of "moderately repressive authoritarian governments."

Feasibility

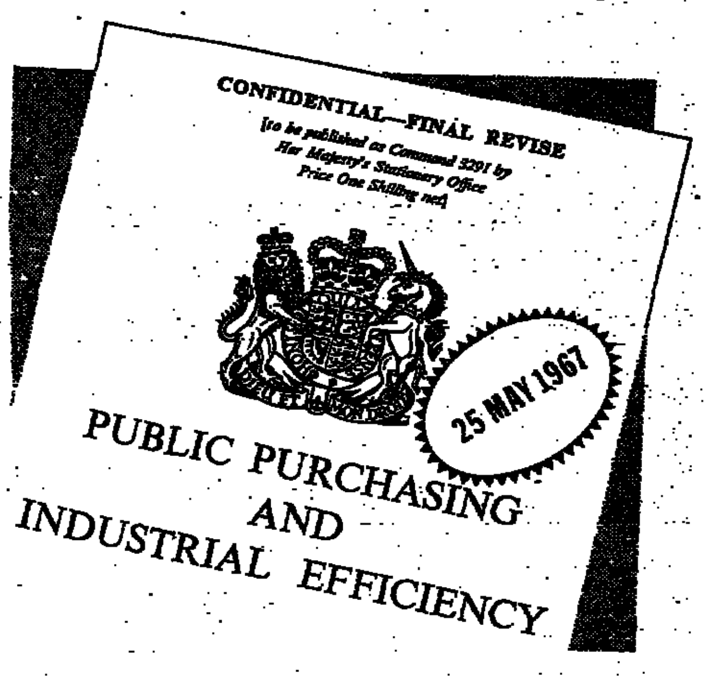
The case of El Salvador, however, raises large questions over the feasibility of such a policy. As the left gains strength there, it seems increasingly unlikely that the U.S. can prop up President Duarte much longer without greater military intervention, directly or through the armed forces of neighbouring Guatemala or Honduras.

Stable, democratic regimes do exist in Latin America. The task for President Reagan and his allies among the governments of the West is to encourage the forces in the region which are most likely to establish such regimes. There are many Latin Americans who want change at home but who do not want alignment with the Soviet Union abroad.

WHITEHALL'S BUYING POWER

Sir Keith looks for winners

By John Elliott, Industrial Editor



Getting Whitehall to buy British is not a new idea. In 1967 a Labour Government White Paper (above) promoted the idea. But Mrs. Thatcher has given new respectability to the increasingly interventionist activities in public purchasing of one of her favourite Cabinet Ministers—Sir Keith Joseph (below).

WHAT IS the connection between a magnetically levitated passenger vehicle, an Inland Revenue computer, office floor coverings, energy producing windmills, a fuel saving device for heavy lorries and an office communications system? The answer is that all six products have been picked as potential winners by the Government in a fresh initiative to help companies improve their international competitiveness.

The initiative is called public purchasing and it is one of the limited policies being developed by the Government under the banner of "constructive intervention" which was unfurled just before Christmas by the Prime Minister.

Speaking to the Welsh CBI, Mrs. Thatcher gave new respectability to the increasingly interventionist, though often reluctant, activities of one of her favourite Cabinet Ministers — Sir Keith Joseph. She described constructive intervention as "stimulating industries which do have a future, rather than shoring up lost causes: helping to create tomorrow's world rather than to preserve yesterday's."

Public purchasing is central to such a theme. It is aimed at using some of the massive buying power of the public sector—amounting in the UK to some £22bn a year including local authorities and nationalised industries—to help at least a few of the most worthwhile British companies survive the recession, develop new products, move into higher technologies, repel imports, and win new export orders abroad. Foreign products are not banned, but buyers are expected to take all considerations into account before placing orders abroad, and to help UK companies develop saleable goods.

The six products mentioned are among those that are being bought or commissioned from UK rather than foreign manufacturers by public sector agencies, usually encouraged by the Department of Industry, as a result of the public purchasing policy.

Stress that the UK is not intending to break GATT rules

The development of the policy coincides with the introduction from the beginning of this year of tougher GATT rules aimed at restricting the ability of Governments to place orders only with home industries. Because of this, Ministers and civil servants stress that the UK is not intending to break these rules or any other international agreements.

But there is a growing interest in the UK in developing "Buy British" loyalties, such as those that developed recently over the Inland Revenue's ICL computer order. The Government also intends to take a tougher line against countries which do not provide the same access for UK-made goods that is available for imports to Britain.

Preferential public purchasing is one of the main non-tariff barriers to trade, which is why it has figured so large in GATT negotiations. Sir Keith's initiative therefore means that the Government, with its basic commitment to free trade, will have to tread carefully between the conflicting priorities of using public purchasing in a constructive way and appearing to be resisting the opening up, internationally, of public procurement.

The policy also raises important questions about traditional Treasury controlled criteria on the "value for money" that has to be obtained by public agencies, and about how far any Government (and especially the present one) should go in picking companies or industries as winners.

Before it is thought, however, that Sir Keith Joseph has become the unlikely inventor of some new method of respectable industrial intervention, it must be stressed that civil servants are concerned about how other countries—notably the U.S., France and Japan—all have more far-reaching though different policies.

Even in the UK the idea is not new and most public agencies think their current practices are adequate. In 1967 the then Labour Government published a White Paper called "Public Purchasing and Industrial Efficiency" and used Marks and Spencer's expertise (which is highly regarded by Mrs. Thatcher) to help improve Whitehall practices. The White Paper had the timeless introduction: "It is the Government's policy to help make British industry more efficient and competitive. Public purchasing can be used to promote this and the Government intends in consultation with industry, to see that purchasing by Government Departments does so."

Nevertheless, public purchasing was the one form of State intervention which Sir Keith wanted to develop when he became Industry Secretary 20 months ago. He then called it "intelligent clientship" and his interest has remained, despite the many other forms of intervention he has been forced to accept.

He has persuaded other Ministers to back his ideas in Cabinet, despite some scepticism, especially from the Treasury and has set up a small unit of two or three civil servants in his Department to urge the rest of Whitehall into action. He has also gained the support of the TUC and CBI following a debate in July in the National Economic Development Council, and has canvassed the nationalised industries which are conducting their own initiative.

In letters sent to the nationalised industries' chairmen last April, Sir Keith said: "What we are seeking is to develop further in the UK the kind of integrated and market-driven support for UK industry so long afforded to many of our major overseas competitors, not least by their public bodies of all sorts."

Put less tactfully, this means that there is a widespread belief that UK goods are receiving a rough deal from public bodies abroad, and the Government intends to retaliate by creating the environment and organisation in the UK which will help to make them competitive.

To the NEDC he said: "The builk of supplies to public purchasers are obtained from UK suppliers, but over recent years public purchasers have, to an increasing extent, found that overseas manufacturers have been better able to meet their requirements in quality, price or delivery, and particularly for high technology products. It is well known that some UK manufacturers have been concerned that goods supplied particularly to some public purchasers have not always been readily saleable on the international market because of the special standards required."

Sir Keith therefore launched his policy with the main idea that State agencies should enter into "sustained dialogues" with their potential suppliers five or more years ahead of requirements in order to allow designs to be developed that would not only satisfy their own needs but also would win export orders.

Now the initiative is well on its way and, while it has not yet any major new successes to its credit, it has improved attitudes and has opened doors to Whitehall purchasers' desks. It has also started one or two important projects.

The row over whether the Inland Revenue computer order should go to ICL or to international tender was not officially part of the initiative, but the fact that the debate about Sir Keith's ideas was in progress sharpened the issue in Whitehall and undoubtedly helped ICL win.

On the other hand, Sir Keith's initiative was not launched in time to prevent about £10m of Civil Aviation Authority radar orders going abroad last year, mainly, it is said in Whitehall, because of a lack of effective dialogue between UK suppliers and the Authority.

The Department of Industry's civil servants are basically aiming at changing attitudes. They have talked to purchasing officers in all Whitehall Departments and are working on about 80 projects. Their initial aim is that every civil servant at a medium-senior level, who has direct executive authority for buying, should be aware of the policy.

They are preparing guidelines for Ministers, laying down the aims of the policy, and have been allocated approaching £10m of aid to use sparingly to encourage development work and to provide "shop windows" for UK technological innovation.

The aims are best illustrated by the six products already mentioned. First there are plans for a "people mover" on a magnetic-raised track for Birmingham airport which is to be developed by a UK consortium. It will be helped with a small amount of aid from the Industry Department and is intended to help the manufacturers develop a product which can be sold abroad and which can be demonstrated in use at Birmingham to would-be buyers.

Demonstrating products in operation is also the aim of a pilot office communications project being set up within the Industry Department itself. This will show how viewdata — a simplified first step towards what is known as the electronic office — can be used for a large bureaucracy. It will involve the Department hiring time on a computer which will be fed with information about industries and companies. Some 40 terminals will be put in offices of Ministers and civil servants, including a regional office in Manchester and a statistics centre in Cardiff.

With a similar objective, the Energy Department's experimental project in energy-producing windmills is being set up in Scotland to enable foreign buyers to see UK technology in practice.

The example of the fuel saving device for heavy lorries is more mundane, but potentially equally important. The manufacturer did not know how to get in touch with purchasing officers of heavy lorries in the public sector and has now been helped by Industry Department civil servants.

Considerable effort is being put into providing companies with points of contact in the public sector. And, coincidentally, the Industry Department's small firms division is to publish a guide later this month describing how each Government procurement agency works and how it obtains its tenders.

The floor coverings exercise is different and is potentially more controversial. Like the issue of whether the Inland Revenue should try to help ICL by giving it a computer order, it involves a Government Department being asked to consider the longer-term impact on a particular UK supplier of losing an order to a foreign competitor. In this case, the Government agency was asked to consider whether it was in its interest to help the UK company through a difficult patch so that the company would be around to provide quotations and goods in the future. The order did not go abroad.

This raises the most controversial issue involved in the initiatives — the loosening of "value for money" rules, set by the Treasury and individual Government Departments. These rules are often assumed to mean that buyers are expected to go for the lowest possible delivery price, which often can be found abroad. Now it is accepted that the balance should be changed by calculating what are called "whole life costs" including repairs, replacements, and the problems of having to deal with a supplier overseas.

The concept is being widened even further, as in the floor covering case, to include the long term impact on individual UK companies and industries of orders being placed abroad. How such a loose idea can be set down in detail, and how civil servants will be able to justify their purchases to the Public Accounts Committee, which may not take such a liberal view of value for money, is causing some concern in Whitehall.

So far the Treasury has been less insistent on rigid value guidelines than many Ministers and civil servants elsewhere in Whitehall had expected. Indeed it is often a sponsoring Department, worried about tight annual cash limits set by the Treasury, which itself will want to make decisions according to the impact on its annual budget, rather than go for a possible saving over five to 10 years. Departments know that the Treasury, despite its acceptance of a longer-term view, is not prepared to increase cash limits to provide the extra funds that may be needed in the year of purchase.

This is an issue which could cause some controversy, as could the lack of precise criteria which can be applied to mundane Government purchases as effectively as to high technology. "It's one thing to do all this for computers where we've always had a pro-British policy and all know where we stand; but its quite another thing to write down what to do about, say, floor tiles," says one senior civil servant.

The lack of precise criteria for Government purchases

"The whole initiative is long on good intentions but short on criteria and proof that it's worth while," says another, pointing out that the Government is being far from adventurous in international terms.

It has made a tentative move towards "picking winners" by asking purchasing officers to think twice before ordering abroad, and by organising development contracts and "shop-window" displays of chosen products. But it seems to be constrained both by traditional British caution and by the fact that Ministers have yet to accept the full implications of "constructive intervention."

MEN AND MATTERS

More outsiders by Gadd

Steffan Gadd's decision to bring two more outsiders into the boardroom of merchant bankers Samuel Montagu is hardly calculated to smooth the feathers ruffled by his own arrival as chief executive two months ago.

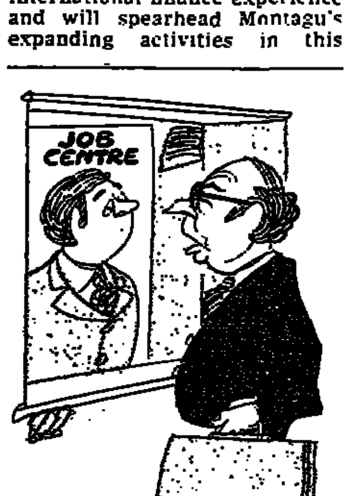
A Swede and the first foreigner to head an accepting house, Gadd's appointment by Montague's parent Midland Bank provoked some internal pique and some pontificating about management independence.

But puffing alternately on pipe and cigarettes yesterday, Gadd urbanely claimed that everything had now settled down and was working well.

Montagu's down-the-line executives, at least, certainly responded enthusiastically to the news that Derek Hughes, Gadd's former deputy at Scandinavian Bank, and David Potter, of Credit Suisse First Boston, are joining the board.

Both men have immense international finance experience and will spearhead Montagu's expanding activities in this field, foreshadowed by Gadd's own appointment. Hughes will head the newly combined UK and international banking and finance division and Potter will take charge of the nascent capital markets division.

Quite apart from their expertise, Hughes and Potter promise to bring a great deal of energy to Montagu's team. Hughes spends his spare time sailing, scuba-diving, skiing, fishing, cycling and playing tennis. Potter, a squash blue at Oxford, plays tennis and golf, and runs a local sports club.



"Any vacancies for a party leader?"

Stirred up

For any successful Member of Parliament, a sense of proportion is a prime resource. But there are issues, and there are issues. And while it might seem that other, weightier problems confront the country, North Cornwall's Gerrard Neale is not a man to stand idly by when bureaucracy puts that charitable mainstay, home-made jam, at risk.

Neale, a Conservative man, is a strong supporter of voluntary work. He was stirred into action by the discovery that Stockton-on-Tees health inspectors were extending their activities into an area where the law has traditionally turned a blind eye —home-made food for church fetes and village bazaars the country over.

"The National Federation of Women's Institutes raises more than £1m a year from home-cooked produce," Neale tells me, "yet according to law, food cannot be sold unless the kitchens in which it is cooked are inspected and registered."

After raising the matter in a Ten Minute Rule debate, Neale is now pressing for a suitable amendment clause to be inserted in the relevant Act in the forthcoming parliamentary session. And to ensure that jam remains on the tips of his fellow-MPs' tongues, he is staging a House of Commons jam-tasting extravaganza on the first day back after the Christmas recess.

Neale does not believe in tacitly accepting that the law is an ass, and informally ensuring that it is ignored in this area as it has been for the past 25 years or so. "It has taken an ass to enforce this ruling," he says. "Home-cooked food raises around £10m a year for charity, so the law must be changed."

Pour outlook

Keen-nosed wine-lovers may find the coming year an encouraging one during which to re-line their cellars. While increaesd market-penetration by non-specialist retailers such as supermarkets keeps the vin ordinaire flowing over the counter, and oenophiles of a higher rank remain devoted as ever to the vin extraordinaire, the middle market is sagging. High interest charges and tighter consumer purse-strings look likely to push respectable bottles out of the stock pile and into the market-place at attractive prices.

An indication comes with a sale at Sotheby's London auction house later this month, when the great majority of the 5,500 cases on offer will be pushed out without a reserve price. Auctions of wine without reserve pricing have taken place in the last couple of years, explains wine department director Patrick Grubb, but only for what he frankly describes as "plonk." Not since the highly volatile markets of five years ago, he says, have wines of reasonable quality been sold on such a basis.

Wine merchants have in some cases seen their suppliers raise prices by a quarter over the last year, while the increasingly competitive marketplace has made it difficult to pass such increases on to the consumer. The strength of sterling, has however been a useful mitigating factor. Nor did the boom-and-bust markets of the mid-seventies help merchants maintain financial bases as soundly as they might have liked, on which to support the high stocking charges of recent times.

The trade is not in crisis, as far as Grubb's slightly morbid curiosity has been able to establish: "I phoned up a liquidator before lunch to see if there was anything in the offing," he says, "which there wasn't. Sad, not for the trade, but sad for us." Nonetheless, he sees the trading climate as sufficiently inclement to indicate that more sales like this month's are on the cards.

Cooke capped

Richard Ellis surveyor David Cooke may be forgiven for letting his attention wander from his City patch to a very different sort of ground in the next few days. For the 25-year-old Cooke, a forward with the Harlequins, has been picked to play rugby for England against Wales at Cardiff a week on Saturday.

Cooke took up Rugby at Haileybury School, joined the 'Quins while studying at North-East London Polytechnic, and found his current employers "quite happy" to give him the days off he needed to train for his new-found glory.

Which is, it transpires, not entirely altruistic on Ellis's part. For in addition to the publicity which Cooke's success has won for the company, he finds his sporting enthusiasm widely shared by clients on his WC1 and WC2 circuit. "It is," he tells me, "the way that a lot of contacts are made."

Stock taking

Overheard in a London theatre bar: "She is 35 and unmarried — and she feels very shelf-conscious about it."

Observer

FINANCIAL TIMES SURVEY

Tuesday, January 6 1981

Italian Banking and Finance

The ability of the banks to meet the demands of Italy's economy in the 1980s, as well as they did in the 1950s and 1960s — the years of Italy's economic miracle — depends to a large extent on an improvement in the country's capital markets and a reduction in the Government's voracious appetite for funds.

Lending rates at record levels

By James Buxton

ITALY IS in the grip of a fierce credit squeeze. Lending rates are at record highs for Italy and are the highest in Europe. There are very tight restrictions on how much money banks may lend, and to which borrowers. As one senior Italian banker put it: "It is *almost* a case of us telling our customers: 'You needn't worry about those high interest rates any more, your credit line has been cut off'."

Until a few months ago the Italian banking system, under *the stern guidance* of the Bank of Italy, the central bank, was acting almost alone to curb the expansion of the economy. The Government introduced a set of economic measures *last July* to cut consumption and encourage investment. When it fell in September the measures lapsed and have so far been only partially reintroduced. But the Bank of Italy is traditionally the highest economic authority in the land.

The Italian economy is going into a downturn much later than the rest of the industrial world. This year it will have grown by between 3.5 and 4 per cent, only a little less than the *5 per cent achieved in 1979*. These high figures reflect the basic vitality of Italian businesses. The timing is due to the fact that the Italian economy was *slower* to emerge from the 1975-76 recession than others and so enjoyed the boom later. Although foreign markets for the remarkably nimble Italian exporter began to turn down last year as world demand shrank by 13 per cent, domestic demand until recently remained strong.

But the cost has been high in terms of the balance of payments and trade. Italy had a total deficit for the first nine months of the year of L4,419bn (*$4.9bn) compared with a surplus* of L1,824bn in 1979. The trade figures grew gradually worse all year as exports levelled off and imports rose in *response* to *strong domestic* demand. By October, the trade deficit had reached L16,000bn.

Inflation has been very high too, currently running at 21 per *cent and only in December* showed any signs of easing. It is currently by far the highest of any major industrial country and though most Italians are to a *large extent isolated from its* worst effects by the notorious *"scala mobile"* (moving staircase) system of indexation it has led to occasional demands *for devaluation by major industrial* concerns.

The Bank of Italy tightened the existing "corset" controls on bank lending last March as the *dangers of overheating* became apparent. The Government of Sig. Francesco Cossiga reacted to a sudden build-up of pressure for devaluation at the end of June by hurrying forward an elaborate package of economic measures. It was *designed not just to curb* consumption by the standard methods of tax increases and higher charges for services but also to attempt some basic structural reforms including clamping down on tax evasion and restructuring the VAT system. Although some of the measures were fiercely contested by the opposition Communist Party and the trade unions, they were sustained by decree until the Cossiga Government was defeated in a Parliamentary ambush in late September.

Tax burden

Sig. Arnaldo Forlani's Administration has now reimposed the main elements designed to curb consumption, though some of the longer term policies have yet to be re-introduced. To help pay for November's earthquake, the Government last month raised petrol tax and delayed measures to reduce income tax for poorer Italians.

Industry began to experience a fall in production in October. The worst-hit sectors appear to be the vehicle industry, affected by the recession in export markets, and the domestic electrical goods industry, now laying off workers on a large scale. Naturally steel and other basic industries are in trouble too.

But though exporters are suffering because of an overvalued currency there is for the moment little question of the lira being devalued. Italy's exchange rate policy has been based on a weak dollar against which to revalue slightly, and a strong Deutsche Mark against which to devalue, thus ensuring cheper raw materials and more competitive exports.

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But this policy can no longer be applied. The dollar is stronger and the Deutsche Mark is weak—for a time the *lira* revalued against the West German currency. Until the Deutsche Mark strengthens again there seems little possibility of a formal *lira* devaluation within the European Monetary System. The fear of the Italian monetary authorities is that President-elect Reagan may institute a monetary *policy* which *would* raise U.S. interest rates still further and keep the dollar strong. In that case the credit squeeze might be even tighter.

Italy's first line of defence against assaults on the lira is its holding of foreign currency reserves—put at $9.6bn in October. But this is about equal to *the foreign borrowings of the* Italian corporate and banking sectors, and is thus vulnerable to any serious prospect of an exchange rate change. Yet it *is to a large extent through* foreign borrowing that Italy's payments deficit is being funded. Italian concerns, including State companies, have borrowed *heavily on the Euro*-markets this year. They took on debts of $5.69bn in the first 10 months of last year.

The consensus view for 1981 is that there will be no growth in output, that inflation will fall back to about 15 per cent by the middle of the year, and that there will be a decline in the payments deficit. This anyway is the view of Sig. Antonio Fazio, *the Bank of Italy's head* of research, though in the commercial banks one encounters slightly more optimism about growth and pessimism about *inflation*.

But there is certainly a possibility, cautiously expressed, that economic trends in the coming year will not amount to *a full-scale recession and that*, barring further major oil price rises and over-tight monetary restraint in the U.S., there will be a sufficient upturn in Italy's export *markets in the second* half of 1981 to enable at least some sectors of the economy to come through the world economic crisis of 1980-81 having suffered less than most other countries. Yet despite the Italian economy's strengths, which enable it to expand very quickly when allowed, it also has considerable structural weaknesses which cannot be *cured by demand management* alone.

The Bank of Italy's discount rate went up to 16.5 per cent when the Cossiga Government fell. That pushed the prime rate for best borrowers up to 21 per cent; many companies *pay considerably more* than that, making a real positive rate of about 3 or 4 per cent over the inflation rate. With tight restrictions on credit increases for individual borrowers the banks are having to squeeze many of their customers. The situation is inevitably frustrating for the smaller banks keen to expand—including the small corps of foreign banks—though it is not necessarily bad for their profits.

Interest rates paid on deposits—and in Italy the banks pay interest on current accounts—have not risen in step with lending rates. The fundamental reason is that as banks are restricted on the lending side they have no need of extra deposits, and they are required by the State to have about 50 per cent of their deposits in a mixture of cash, reserve requirements, holdings of Treasury bills and other Government securities.

They therefore argue that the private depositor might just as well invest directly in Treasury bills (which unlike deposits are not subject to a 20 per cent withholding tax and offer a better *interest rate*). But *as* more and more customers get wise to investing in short-term Treasury bills and when the banks' need for deposits in*creases again, the latter may* have to be more competitive with the rates they offer on deposits.

The banks still play the *major role in channelling funds* to the Government to help it finance its colossal budget deficit, which will be about L40,000bn this year, or some 14 per cent of GDP. The public sector deficit is a major cause of Italy's inflation and is a permanent drain on the North, where most of Italy's wealth is created. Yet much of the money channelled by the Government to the poor and now earthquake-stricken South finds its way back to the North in the form of demand for goods, which *reduces the effect of the drain.*

High demands

The high demands of the State and the state corporations, many of which have astronomically large accumulated debts which are almost unrecoverable, mean that there is relatively little money left over for the private sector. Italian capital markets are limited—the Milan *Bourse is thin and lately vola*tile — so Italian companies are undercapitalised, which makes them correspondingly more dependent on the banks for finance. Although *last* year's dramatic rise on the Stock Exchange has led a number of companies to launch big capital increases there, the Italian *banking system has a* more important role to play in financing industry than it does in many other countries. Although the banks are forbidden *by law to lend more than* a small proportion of their deposists for longer than 18 months they are becoming drawn into longer term lending, *not just through the activities* of their affiliates and associates which are specifically devoted to medium and long-term operations but through the banking *consortia being assembled to* rescue or aid the recovery of these major industrial concerns in difficulties. These operations tend to involve the conversion of short-term debt into medium-term debt or even equity and is one sign of the transition in the Italian banks' role.

But there are relatively few other signs. Both in terms of *clearing systems and the efficiency* of services to the customer — Italian banks are far behind others in Western Europe. There are social and *historical reasons for this*, but two other major factors are the tight grip of the Bank of Italy on banking operations, which tends to hamper competition, and the operation of unnecessarily complex and often anomalous banking laws. These *limit initiative on the part of* bank staff and in the case of some public sector banks make bankers liable to be imprisoned for what in private sector banks would *merely be regarded* as errors of judgment.

A reform of the banking laws was one of the pieces of legislation that failed to get passed *as a result of the fall of the* last Government. But it can be expected to be presented again. Once it has been passed Italian bankers may become less hampered *by petty restrictions.* But the banks' ability to meet the demands of the Italian economy in the 1980s as well as they did in the 1950s and 1960s —*the years of Italy's economic* miracle — depends to a large extent on an improvement in Italy's capital markets and reduction in the Government's *voracious appetite for funds.* The latter is a result of the failure of Italian politicians to tackle the economy's structural problems — a failure that seems *unlikely to be remedied at* present, when governments have such short and turbulent lives.

Little room for innovation in a cumbersome system

THE BANKS

JAMES BUXTON

IN FEW industrialised countries do the banks dominate the financial system as much as they do in Italy. The echoing corridors of the headquarters in Milan of the big Italian banks—with their tailcoated flunkies and their fine paintings—exude confidence and power. Yet, and perhaps as a result, the Italian banking system provides its customers with a service which by the standards of most other West European countries is distinctly poor.

Italian capital markets are slender and many of the country's biggest enterprises, especially the State-owned, have enormous accumulated losses. Others are undercapitalised anyway. As a result they depend more heavily on bank borrowing than do their counterparts in other countries and this situation puts the banks in a powerful position vis-a-vis the customer. But the flexibility and competitiveness of the banks is also circumscribed by three other factors: the natural conservativeness of both the Italian banker and his customers; the strict Banking Law of 1936 and the tight control exercised by the Bank of Italy, the central bank.

The chief impression one obtains in the banking hall of most Italian banks is of laborious procedures involving quantities of form-filling and initialling of documents by members of the bank's hierarchy for even the simplest transaction. Bank clerks are to be seen stamping individual cheques with the customer's account number before it is issued, and the bank often gives the impression that it is doing the customer a favour.

Would-be customers find opening a bank account difficult without personal introduction. Cheque books are mainly used for withdrawing cash—cash being the medium of almost all payments: bankcards are few; and it is usually impossible to cash a cheque in a bank other than in one's own customary branch. Corporate customers face restrictions of a different order at their level.

There is certainly some justification in the banks' argument that the Italian public is "not ready" for some of the innovations such as bank cards or the giro system which are now commonplace in, for example, Britain. Italy is a society where transactions are based far more on personal relationships than they are in the Anglo-Saxon world and the cashless transaction is still distrusted.

Foreign influence

Italian private and business customers who are well establised with their banks often receive reasonably good service. But it is also true that the Italian banks make little effort to educate their customers to accept innovations, and many of the innovations they have introduced have been as a result of the presence of a few foreign banks.

This is partly because of the structure of the Italian banking system. At the top are the "Big Five" Italian banks: Banca Nazionale del Lavoro, Banca Commerciale d'Italia, Credito Italiano, Banco di Roma and Banco di Napoli (though some people prefer to omit the problem-ridden last and talk of the "Big Four."). Yet these five account for only 15 per cent of all bank branches in Italy, and though they account for 37 per cent of total current account deposits they clearly do not dominate the country's banking system. At the same time they do handle 75 per cent of non-resident deposits, thus dominating the banks' foreign business. They are net borrowers on the interbank money market, a fact reflecting their emphasis on wholesale rather than retail operations.

There are also differences of status within the Big Five. Banca Nazionale del Lavoro and Banco di Napoli are two of the six commercial banks incorporated under public law and predominantly owned by the Treasury. which means that though their activities are no different in substance from those of other banks (including the banks which are actually owned by the State) a mistake by one of their bank officers is regarded as a mishandling of public funds rather than just commercial error. and bankers can and do get sent to prison for making mistakes—instead of being fired as they might be in other banks.

The other three banks are predominantly owned by the State holding company IRI, though they have a considerable amount of independence. As in the bigger Italian banks, however, top posts are held by political appointees, though executives are normally fully qualified bankers.

Commercial banks in the third group are in most cases much smaller and are usually joint stock banks. But there are more than a hundred of them and most have a strong regional orientation; many of them have only one branch. Alongside them there is a plethora of co-operative banks, rural banks (650 of these alone) and savings banks. They are all authorised to operate in almost exactly the same way as the commercial banks, though their operations are naturally constrained by lack of experience, high overheads and strong conservatism.

The biggest savings bank, Cassa di Risparmio delle Province Lombarde (Cariplo), ranks fourth among all Italian banks in terms of deposits and has more branches than any bank except Banco di Napoli. It is heavily concentrated in Lombardy and a few adjacent areas (the richest in Italy) and functions much as other banks do, though it also gives mortgages and provides credit to farmers and to local authorities.

Restrictions

The diffuse nature of the commercial banking system is the result of a combination of historical causes and the fact that the Bank of Italy's legal controls over the banking system are far stronger than those of other central banks. In particular it tightly restricts the opening of branches by banks, thus protecting the very small local banks from much in the way of competition, especially from the Big Five. Banks cannot open branches in more than one region without permission; this keeps the system localised.

The central bank allows no bank mergers without its permission. There are only slight indications that it wishes to foster any major rationalisation of the system of small banks such as occurred in Britain nearly a hundred years ago. The big banks respect the Bank of Italy's authority but occasionally resent the discretionary nature of its powers.

The system means there is no danger of the small rural customer or the little company in a provincial town being overlooked by the banking system—a possible danger if rationalisation were to be carried to its logical conclusion. But if the big banks were to be allowed a bigger branch network they might make a greater effort to overcome the problems of an often poor clearing system which suffers from the profusion of small banks and from the legendary inefficiency of Italy's postal service.

There also appears to be little sign of a possible attempt to cut through the tangle of laws and regulations which make banking operations so cumbersome. Senior bankers have to keep a close eye on recruits to make sure they do not inadvertently transgress some law which in the public sector the overzealous Italian magistracy will happily punish; a myriad of dockets and counterfoils are stored in vaults for years against the arrival of a central bank inspector; and bankers rarely if ever protest at having to make transactions the longer and more cumbersome way if it is safer. Italian bankers, having lived man and boy with the system, often see little reason to change it. Anyway their jobs are among the best paid and most sought after in the country.

How good is the banks' service to private business? A basic problem is that lending to a non-State business comes decidedly second to the banks' commitments to the State sector. Between 35 and 40 per cent of banks' total funds utilised domestically represent official cash and reserve requirements and obligatory holdings of Treasury bills and other Government or semi-State securities. On top of this the current "corset" controls require that a further chunk be invested in Treasury bills, bringing the total proportion of banks' assets whose deployment they cannot effectively control to at least 50 per cent.

The stage was reached earlier last year where banks were reluctant to go on taking deposits just to on-lend them to the State—and this had a corresponding effect on deposit interest rates. Depositors can anyway invest directly in Treasury bills at a higher rate than the banks pay and also avoid the 20 per cent withholding tax on deposit interest.

The banks' commitment to financing the public sector and the Government reflects not only the enormous Government deficit and the losses many State-owned institutions have incurred over the years but also the fact that Italy's economy is anyway heavily dominated by the State.

To lend to smaller commercial customers and all private customers banks have to obtain the permission of the Bank of Italy. The absence of reliable balance sheets for most companies makes it essential for banks to keep close relations with their corporate customers so that they know what they are really up to. Italian commercial banks can only lend for up to 18 months (except for a small percentage of their funds). For longer-term borrowing companies have to go to the medium-term or long-term lending institutions such as Mediobanca—for medium-term finance—or IMI Instituto Mobiliare Italiano—for longer-term funds.

In practice the commercial banks are closely entwined with these institutions through interlocking ownership patterns, while the banks are becoming more involved in longer-term lending through the trend towards banking consortia to help out companies in difficulties. So far only Pirelli has been helped in this way and the operation is judged a success. It involved short-term debt being converted into longer term and the banks in effect taking a share in the ownership of the company. Banks are virtually obliged to become involved in these operations if they are to save their own loans, but it means a gradual change in the role of the commercial banks.

Hugh Routledge

The Bank of Italy building in Rome. The bank is regarded as the most authoritative and consistent source of economic wisdom within the country

Italy's main guarantor of financial reliability

THE BANK OF ITALY

RUPERT CORNWELL

IN EVERY country there are subtle differences in the status of the respective central banks. The Bank of England is enveloped in pomp and secrecy, but is comparatively subordinate to the Treasury. The Bank of France is firmly under the heel of the Government, while the West German Bundesbank has established an enviable independence, helped by the fact that it is based at Frankfurt, far from the seat of Government in Bonn. None, though, has the importance in their varying countries that the Bank of Italy holds within Italy.

The bank's headquarters, a solid late 19th century edifice, a stone's throw from the Quirinal Palace, the seat of the President of the Republic, has come to be regarded as a last preserve of impartiality, excellence and efficiency in the country's rotting institutional structure. The Bank of Italy fulfils all the classic functions of a central bank anywhere. It superintends the operations of the banking system, runs monetary and credit policy and, of course, is guardian of the currency.

However, largely by default on the part of the politicians, the bank has come to be regarded as the most authoritative and consistent fount of economic wisdom and management within the country. Outside Italy, it has long been held to be the main guarantor of Italy's financial reliability, sorely put to the test in the mid-1970s, in particular. It is easy to see why.

Governments (and Treasury Ministers) come and go, lately at an ever-quickening pace, and ever-more assailed and preoccupied by a seemingly endless stream of scandals, often with economic, industrial and sometimes banking ramifications. Consequently, coherent economic management and the task of implementing long overdue structural reforms has been increasingly neglected by Governments.

Into this vacuum has been sucked the Bank of Italy. The saying goes that there are but three institutions in Italy which function properly: the Bank of Italy, the Vatican and the Communist Party—but, given the current problems and ambiguities of the last-named, perhaps the list should be reduced to two. And, indeed, the Governor of the Central Bank is, in some ways, a financial "Pope" within Italy.

True, governors do not stay in office until they die. But this century there have been just seven of them, including the present incumbent of just 15 months, Dr. Carlo Ciampi.

Background

Almost all have come from a strictly banking and technocratic background. Compare that with the 40 Governments that Italy has had since the end of the last war alone. In his short tenure, thus far, Dr. Ciampi has witnessed three of them, with the promise of many more to come.

The corollary of this process is plain. As the instruments of ordinary economic management —tax changes, public spending adjustments and the like— become ever more difficult to apply, the reins of effective authority have passed to the Bank of Italy. Monetary and credit policy, coupled with indirect tax manipulation, have become virtually the sole means of running the economy. The system is obviously inadequate (Dr. Guido Carli, the governor between 1960 and 1975, remarked that it was like driving a car with just a brake and an accelerator), but it is the best there is.

How much longer it can continue—as the untackled structural problems pile up—is another matter. The answer probably lies in the ability of the Italian economy to make its own adjustments and thus far that spontaneous flexibility has been remarkable.

There is more, too. Political feuding and the need to preserve the delicate equilibria of national life, have involved the Central Bank as an arbitrator in fields far removed from its traditional spheres. A striking example was the referee's role played by the then-governor in the political battle over the Montedison chemical group, a decade ago.

The bank's standing and prestige within Italy is matched by that outside. In negotiations for loans to shore-up the country's finances in the last few years, potential foreign lenders and institutions, such as the IMF have felt more comfortable dealing with the Central Bank than with a Treasury Minister, however respected—but who might be unseated by a Government crisis at any moment.

Many of the Central Bank's top officials became international financial celebrities: Dr. Carli and Dr. Paolo Baffi, his successor as Governor, as well as Dr. Rinaldo Ossola, a "father" of the fund's special drawing rights, and long-time chairman of the Group of Ten Inner Monetary Council of the West.

Often the paradoxes of modern Italy would surface, as well. This correspondent well remembers learned and intellectually perfect schemes developed by the Bank of Italy, in the early 1970s, to tackle the dollar overhang of those years: simultaneously, suitcases full of high denomination banknotes were disappearing in rowing boats across Lake Lugano to Switzerland, in yet another lira crisis.

The arrival of a new team at the top has perhaps meant that its international eminence is less than it used to be, but the change is likely to be only temporary. A powerful *esprit de corps* has developed within the Central Bank and its 7,000-odd employees, which has fed its jealous desire for independence from the political parties.

Political assault

The latter, may be in an unspoken acceptance that something had to be allowed to operate effectively when the country's financial credibility was in question, did not press the point. At least, not until March, 1979, when the "Eank of Italy Affair" exploded. It was a naked political assault on the independence of the Central Bank, and especially on its function of policing the workings of the banking system and its repercussions are still being felt today.

There is no room here to recapitulate fully an immensely complicated affair. Suffice it to say that following allegations by a highly politicised magistrate that top bank officials had been involved in, and subsequently tried to conceal, supposedly "improper" lending to the bankrupted SIR chemical group, a deputy director-general of the bank found himself in prison for a fortnight, and Dr. Baffi narrowly escaped a similar fate.

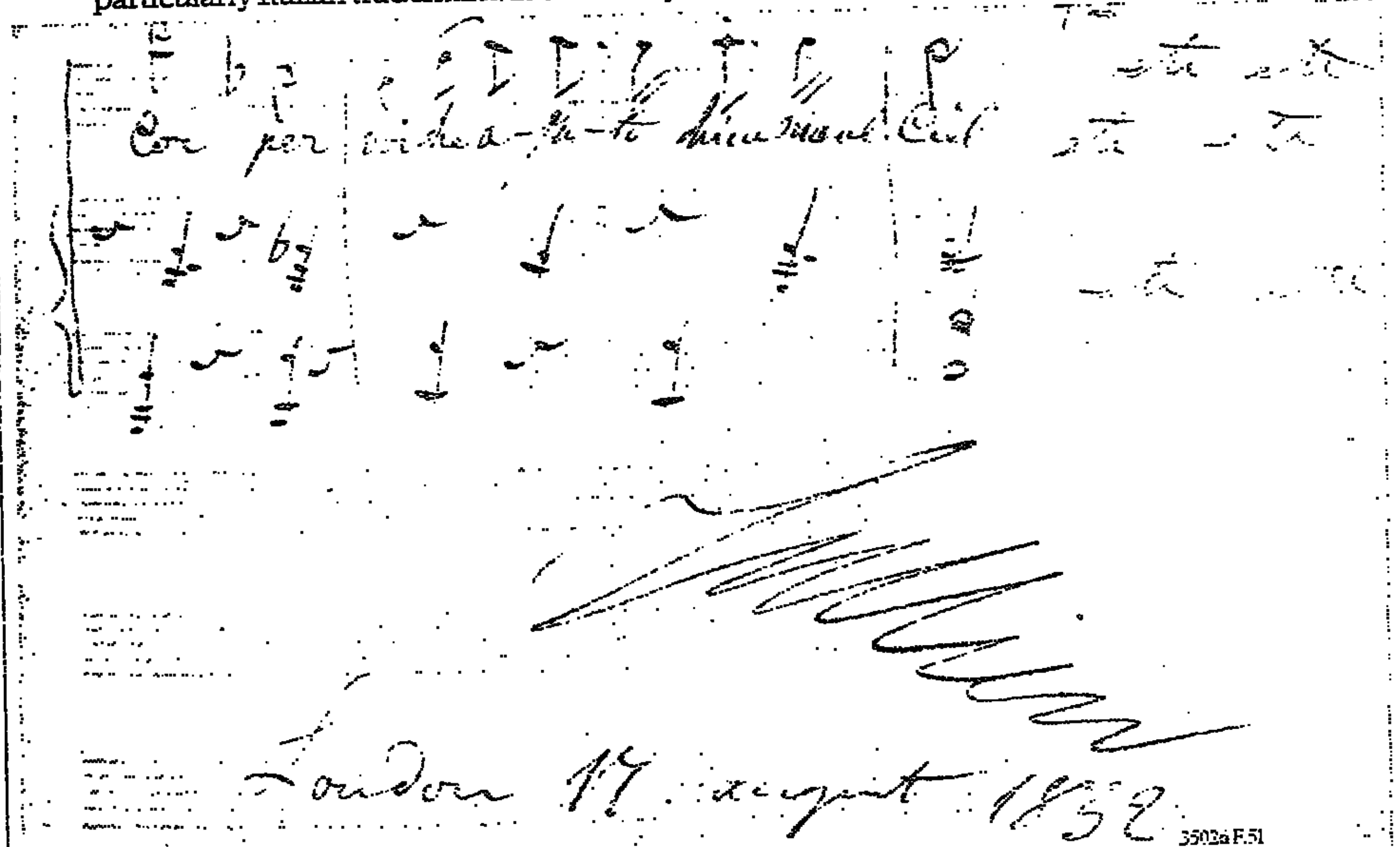
The bank was later fully exonerated, but considerable damage was done, which is only gradually being repaired under the cautious stewardship of Dr. Ciampi.

Bright young men left the bank, while the activities of the vigilance department were heavily hampered. Indeed, Sig. Antonio Alibrandi, the magistrate involved, was later quoted in a newspaper interview as saying that he "wanted to teach Sarcinelli a lesson." Dr. Mario Sarcinelli was the deputy director-general and head of the vigilance department who found himself briefly in Rome's Regina Coeli Prison.

As in most Italian situations of this kind, the full story probably never came out. But there can be little doubt that the "Bank of Italy Affair" reflected a deliberate attempt to warn off the monetary authorities from peering to deeply into certain murky depths of banking, where embarrassing political involvement might emerge. The signs today are that the Central Bank is beginning to regain its self-confidence and authority, though the waters in which it sails are more treacherous than ever.

Italian politics are, if anything, in a greater mess than ever, and there is no telling who might be dragged into some new "scandal," whose purpose is to discredit a rival faction or clan. But, as the country's economic skies darken anew, the politicians may well think twice before menacing the Central Bank again, with the attendant risks for Italy's external credibility.

Indeed, someone once remarked, appropos of the provincialism of Italian public life, that Alexander Pushkin's comment about the Russian language might be applied to the Bank of Italy: that it was incomprehensible how so backward a people could have developed so sophisticated a means of expression.



Increase in industrial rescue operations

CONSORTIA

BY A CORRESPONDENT

ITALIAN BANKS have taken on the role of forming consortia, to salvage industrial companies over the past three years, an exercise they are finding increasingly uncomfortable. These rescue operations have achieved special prominence in attempts to refinance and restructure the Snia Viscosa SIR (Societa Italiana Resine) and Liquigas groups. Montefibre and the tyre-maker Pirelli.

The push for further bank involvement in salvage operations, particularly in the synthetic fibres and chemical sectors, dates back to 1977 and 1978. Law 787 of 1977 outlined Government measures to encourage financial restructuring and a decree the following year expanded the banks' legal flexibility in meeting this goal. Banks were allowed to invest up to a certain percentage of their "net value"—*liquid assets minus* non-liquid—in shares of rescue consortia in exchange for the debts towards them of the failing enterprises.

The banks exchanged their credits into consortium shares and received certain tax benefits as well. Government, political and union pressure also provided other incentives. The only sticking point was that the consortium had to put the company back on the road to recovery—or the member banks would lose everything.

Liquigas, a group of companies partially owned and headed by Sig. Raffaele Ursini, illustrates some of the difficulties in such rescue operations. Since 1977 the group has been in a mess, with particularly high losses recorded by its wholly-owned subsidiary Liquichimica. Since 1978 Liquichimica had been running at minimal production, and Liquigas' chief creditor bank IMI (Istituto Mobiliare Italiano) began efforts to establish a consortium to settle debts that had reached over $2bn.

Banca Nazionale del Lavoro joined IMI in attempting to set up a rescue plan, but was only able to get agreement among all parties a year later. The Cossiga Government tried to force a solution by decree law, but settlement seemed as far away as ever when the decree law perished along with Sig. Cossiga's Government.

Sig. Ursini delayed the rescue operation by refusing to allow non-chemical company assets of the Liquigas empire to be used for capitalisation or as security in any consortium plan. Indeed the very complexity of *his* holdings allowed him to sell off assets from profitable sections of Liquigas while Liquichimica floated in a bankruptcy limbo.

The Forlani Government is expected to repropose the Cossiga plan for settling the problem. The company's licences, plants and properties will be auctioned within two months of the Bill becoming law. Only ENI, the state energy agency, is expected to *bid* for Liquigas—and bank debts will be settled with the State hydrocarbons company, though the Government will probably vote additional debt consolidation funds.

Complexities

SIR's complex story began when Sig. Nino Rovelli's chemical group embarked on a $3.7bn *capital investment plan—only* for the 1977 recession to come along. By the end of 1977 the over-extended group went to its chief creditor IMI and asked for further funding to meet short-term debts. IMI went to medium-term and commercial banks and attempted to organise another rescue group. The consortium arrangements were delayed over questions of who would manage SIR as well as by the diverse group of creditors involved.

A consortium proposed in December, 1979, including Italcasse and 11 other banks, would have refinanced the group's $2.7bn debt, but this effort collapsed last May under lack of creditor agreement. In February the company could not meet even its *supplier* and payroll obligations and was only saved by a decree law which delayed liquidation proceedings for two months.

The Government stepped in with a $600m credit to allow SIR to continue operations, even at quarter capacity. In July, they included this measure in a $780m two-year plan to consolidate debts and recapitalise the company. Besides the ordinary *bank objections this* ran into opposition from private chemical groups, most notably Montedison, over such huge State aid to its competitors.

Finally the Cossiga Government declared that ENI would assume a one-year stewardship over SIR, at the end of which all SIR plant would be bought by ENI, sold to other companies or closed. ENI said it would not assume responsibility for *the total* debt (estimated to reach $3.2bn by the end of 1980) but the Government is expected to refinance the bank loans. When they will be paid back is uncertain, as even this measure fell with the previous Government.

Montefibre, the fibres company owned by Montedison, has presented another case of slow reaction to mounting industrial crisis. Montedison had claimed *losses of over $600m since 1974* in fibres and continually threatened to pull out of the sector altogether. After a year's discussion a bank consortium was organised in July, 1979. It was led by chief creditor Mediobanca but included other creditors such as IMI, ICIPU, COMIT, *Banco di Napoli*, and CARIPLO. The consortium agreed to refinance previous debts and provide 42.5 per cent of a $200m recapitalisation of Montefibre.

An earlier attempt to come to agreement in January failed when lesser creditor banks refused to invest further funds unless a complete restructuring plan was assured. The final consortium arrangement will come into action early in 1981—and not a moment too soon. Montefibre lost $101m in 1979 on a turnover of $881m and is expected to report similar results for 1980.

Recovery plan

Snia Viscosa, with interests in chemicals, synthetic fibres, engineering, aerospace and textiles, has actually been making a comeback under the "Consortium" aided by a bank pool of funds. "Consortium" is a group of private companies created to rescue other non-Government businesses when financially ailing. "Consortium," working with a group of banks led by chief creditor Mediobanca, has drafted and begun implementation of a three-year recovery plan for Snia.

Snia lost $134m on a turnover *of $918m in 1979.* The restructuring plan, drafted in February, 1979, had to face debts of $572m to suppliers and $543m to banks, of which $212m was in short-term loans. Roughly $184m was raised by creditor banks, allowing Snia to increase capital from $76m to $184m, as well as consolidating debts. Interest service charges ran to 13 per cent of the group's turnover in 1979, but through additional funding this is expected to fall to 6 per cent by the end of 1980.

More important, Snia has taken decisive action in rationalising and reorganising itself. Non-essential assets have been sold, the four main sectors have been organised as operating companies with Snia as the holding company and losses have already begun to drop in the fibres sector.

One of the few companies outside the chemical or synthetic fibres field involved in a banking rescue consortium has been Pirelli. Remarkably, the company has been regaining its health at a time when the European tyre market has been taking a nosedive.

As unemployment is anathema in Italy, the unions have kept steady pressure on the Government to prevent any company from failing. The Government was able to pressure even privately owned banks by threatening to use the Bank of Italy (or other State-owned institutions) to float loans on the money markets, with State backing.

The single most important factor in consortium rescue attempts has been the willingness and ability to implement quickly a thorough restructuring and rationalisation of the company. SIR and Liquigas have failed on this count, too; Montefibre has moved slowly. But Pirelli and Snia Viscosa have already begun work. There lies the whole difference.

Significant influence of a small sector

FOREIGN BANKS

JAMES BUXTON

FOREIGN banks account for a *tiny* part of the Italian banking system. They are almost entirely in Milan, to a lesser extent Rome.

The Italian system is so diffuse numerically that, apart from the big banks, most have little contact with foreign banks. As most of the latter's activities are "wholesale" devoted largely to the corporate sector, most Italian bank customers seldom encounter them.

Italian *bankers frequently* admit that the foreign banks have had an influence out of proportion to their size.

One innovation is that several provide efficiently under one roof a wide range of services from simple banking transactions to leasing, factoring and merchant banking. This has obliged the big Italian banks to provide such *services through affiliate and* associate organisations which they did not all do before.

More generally, the foreign banks have shown that banking need not necessarily be long-winded and frustrating. Barclays Bank International in Milan demonstrates in its banking hall that it is possible within the tight regulations of the Italian system for a customer to deal with only one clerk who is a cashier for many transactions.

The main innovation, however, is the interbank money market. This did not exist before the foreign banks arrived and is still a somewhat erratic institution prone to ups and downs which can embarrass its users.

It is much less popular with the big Italian banks, which resent foreign bank competition, than with smaller banks. These feel there is some glamour in dealing with overseas institutions.

The other innovation is the more recent creation of a procedure for acceptances. Banks farm out loans to other banks, thereby making sure that the limited amount of credit each can give under the Bank of Italy's current tight restrictions is used up.

Services

The foreign banks have influenced the Italian system, naturally enough, in foreign operations. The foreign banks may not only handle trade and other foreign transactions better than many Italian banks. They can usually offer a large network of foreign branches which it is usually impossible for Italian banks to match.

One result of the arrival of the foreign banks, as well as the growth of the Euromarket in general, is that the big Italian banks have been opening more branches abroad.

The foreign banks would admit that in many ways innovations are easier for them than for Italian banks. They are without the encumbrances of historical obligations. It is easier for them to be efficient as they are usually unit banks, without more than two branches at most.

The bigger Italian banks have to grapple with clearing systems, the postal system and the Milan-Rome ambiguity.

The main foreign banks are independent of Italian banks, although several, such as Barclays and Morgan Guaranty, were formerly joint operations (*Barclays bought out its* Italian partner only last August.)

The top 15 foreign banks are led, in terms of deposits, by Citibank, which ranks 55th of Italian banks, and the majority are U.S., French, Dutch and Japanese banks also figure.

Barclays is the only British bank operating on its own, although Lloyds is expected to open a branch in Milan soon and the Midland Bank is exploring. Of the Big Four British banks, National Westminster has a minority stake in Creditwest, an operation shared with Credito Italiano.

Barclays, because of its previous joint operation, has a sizable *personal customer* network, but concentrates on providing the full range of financial services through its related leasing, factoring and merchant banking operations. Its change in status and the forthcoming opening of a branch in Rome have enabled it to increase its lending activities.

The other banks are mainly involved with the corporate sector. Some, such as Morgan Guaranty, concentrate on the multinational companies operating in Italy and have little contact with Italian companies.

Barclays has a reputation for being more aggressive and becoming more deeply involved with Italian businesses, including the small but often dynamic concerns which are the backbone of the Italian economy.

The two main constraints foreign banks face are the interbank market and the credit and other restrictions imposed by the Central Bank. Most foreign banks, especially those without retail banking operations, rely on the interbank market for funds, as they have few deposits from customers.

Most discourage them, because they mean costly cheque books, counter staff and other cumbersome procedure.

The interbank market is generally shallow, subject to feast or famine conditions and rapid rate fluctuations. There is no national market and it is usually difficult to borrow for more than 48 hours.

Some foreign banks consider that there is no formal money market and they borrow from other banks on a more or less personal basis.

"There is a face behind every lira in the market," one American banker put it.

At present, the interbank market is reasonably liquid and foreign bankers are happy—or would be, could they lend sufficiently.

The Bank of Italy's credit restrictions, tighter than ever, should affect banks evenly according to their lending *patterns*. Some of the more recently arrived believe their credit ceilings are more rigorous than those of established banks, in terms of the relationship between capital and lending. All banks find them a major brake on their activities.

The acceptances market, if such it can be called, is a useful means of enabling the banks to increase their operations at a time of tight restraint.

Foreign banks are also restrained, like Italian banks, by the need for permission before opening branches—not easily obtained—and in the territorial restrictions which tie banks to certain provinces. Few foreign banks operate outside Lombardy, Piedmont and Lazio (the province around Rome).

There is not much sign of the restrictions being eased.

However, foreign banks have *cordial relations* with the Bank of Italy and Italy's economic importance, plus the fact that banks do not like to be outdone by each other, has caused a new spate of foreign banks setting up in Milan. Dresdner is the first West German bank to start operating on its own.

Banks are realising they cannot afford to be absent from Italy.

هكذا من الاصل

Big price rises follow the revival on Milan Bourse

THE STOCK MARKET

MARY VENTURINI

WHEN SHARE prices were soaring at the beginning of November on the Milan Stock Exchange one operator observed dryly that what the Italians had won speculating on the price of "*gettoni*," or telephone tokens, they were now investing in shares. Italians certainly had a field day when a muddled administrative ruling brought the price of *gettoni* down from L100 to L50 and then sent it back again to L100 only a few weeks later. But although Italians are never slow to seize a good opportunity when they see one they are usually conservative and cautious as far as their finances are concerned.

Houses, apartments, bank accounts and postal savings have been the traditional havens for the family resources. But housing is now risky because of the new letting laws. Interest rates on bank accounts are looking absurdly low at around 10 per cent when lending rates are double this. Even the income on Government bonds looks attractive only when it is compared with that on bank accounts rather than with the rate of inflation. The Milan Bourse, where prices have risen 80 per cent so far this year, is therefore beginning to look decidedly interesting.

The Milan Bourse is not a place for the uninitiated and sharp rises are usually treated with extreme caution. But this time the sudden boom at the end of October, when some prices rose 30 per cent in a few days, was followed by only a relatively slight downward correction towards the middle of November.

An unfounded rumour that the stock exchange authorities in Rome were going to require a heavy deposit on the purchase of shares coupled with the realisation that the monthly settlement of accounts was coming up triggered off some rush selling. However, the overall trading for the month registered an average increase of 6 per cent. After years of almost no change at all in share prices a monthly increase of this sort is not to be taken lightly.

Explanation

The most basic explanation of the new interest in the exchange is that shares are undervalued. Many are still below their price five years ago. That is not much consolation for investors who bought in the mid-1970s but for anyone wanting to buy now some shares look decidedly cheap. This could explain why even a company such as the State's steel financial holding company, Finsider, which is due to turn in heavy losses again this year, found its share prices soaring at the beginning of November before they fell back again to show no gain by mid-month.

Another reason for the sudden revival of the Milan Bourse is that a considerable volume of liquidity is chasing relatively few outlets. Strict limits are in force on bank lending and it is therefore thought that bank funds have been flowing into the exchange.

The first decline for years in the increase in the level of bank deposits—the usual short-term refuge in Italy at a time of high inflation—would also indicate that family savings are chasing new channels. So certain have the banks been of the traditional theory that the average Italian cannot think further than his bank account that they have ignored interest rates of deposits even when their lending rates have been going up and up.

A further factor in favour of the argument that the upward trend on the Milan Bourse is here to stay is the change now underway in the relationship between the banks and their major industrial clients. In the past decade industry has raised on average 20 per cent of its new capital from shareholders and 80 per cent from other sources such as credit institutions.

This was extremely convenient for companies when politicians in Rome were pushing Government funding through the banks to their favourite companies without many questions asked. But the economic downturn and a number of unsavoury scandals are making politicians more cautious. Furthermore, credit institutions are no longer feeling quite so generous now that they have had to cover the massive losses registered by some of their biggest industrial clients without much help from the Government.

Both companies and banks are therefore looking at the private investor—previously considered to be little more than a nuisance—with renewed interest. Now that some L5,000bn in new share capital has to be found for some of Italy's biggest financial and industrial companies—Ras and Sai Insurance, Mediobanca, Banco di Roma, Banca Commercialle, Finsider, Fiat, ANIC, Snia Viscosa—it is in everyone's interest to make the stock market look as attractive as possible.

A considerable amount of caution is, however, essential as the structural deficiencies of the Milan Bourse still make it a risky place. With only 162 companies officially quoted there is inevitably heavy pressure on what amounts to a handful of quotations. This makes the rises and falls during heavy trading more spectacular than is good for the Bourse's health. There are also very few freely tradable shares available.

In theory some 20 per cent of a company's share capital should be freely tradeable but often there is only about 5 per cent which is not tied up in the hands of the big institutional investors. Often the sale and purchase of large blocks of shares takes place before the public is aware of what is happening. The small investor's choice is limited still further by the fact that foreign companies have fought shy of Milan and because Italians have been virtually blocked from investing in foreign companies not quoted on the Milan Bourse because of strict exchange controls.

Although there is common agreement that the quoted list should be increased the wait to obtain a public quotation on the Milan Bourse is seemingly interminable. This is largely because of the inefficiency of the Consob, the stock exchange regulatory authority. This was set up in 1974 to operate on the lines of the U.S.-Securities and Exchange Commission. But anything less like its American counterpart would be hard to find.

Rising demand for treasury bills

MONEY MARKETS

BY A CORRESPONDENT

PRIVATE INVESTMENT in Italian treasury bills has emerged last year as a major factor in the Italian money markets. Non-bank investors have acquired more than half the L66,000bn of bills in circulation and the strength of this new source of demand has had a visible impact on bill prices.

Bill yields have traditionally stood at a premium to comparable maturities in the interbank lira market, except for a brief period during the 1976 economic crisis when interbank rates soared in response to official currency protection measures. But, since November 1979, rising investor demand for bills — combined with the end-September 1980 bank rate increase to a record 16.5 per cent — has reversed the relationship.

At the Bank of Italy's latest monthly auction three-month treasury bills were sold at 15.80 per cent and secondary market rates for bill maturities up to a year have recently been quoted below 16.5 per cent, compared with interbank rates of 17 per cent upwards for maturities above one month. The reason is not hard to find.

Banks, responding to a progressive tightening of Central Bank monetary policy, have raised prime lending rates by 4.5 percentage points to 21 per cent in the past year, while deposit rates have been lifted only three quarters of a point in the same period, at least nominally, to a maximum 11.5 per cent, taxable, on large savings account deposits.

With inflation running at more than 20 per cent annually, the tax-free yields on treasury paper have offered an attraction to investors only equalled, for those with strong stomachs, by the roller-coaster acrobatics of the Milan stock market.

Among those best pleased by this trend is presumably the Bank of Italy itself, which finances most of Italy's public sector deficit through its monthly treasury bill auctions.

According to the Government's 1981 budget estimates, public sector borrowing is running at about L41,000bn a year, of which the domestic markets cover about L37,000bn.

For the markets themselves this is a distinctly mixed blessing. The high Treasury borrowing requirement, satisfied mainly through the issue of short-term paper, offers a classic example of public sector pre-emption. It offers a low risk liquid asset, but kills variety. And, at a technical level, the Bank of Italy's presence in the market is so dominant that its well-intentioned efforts to encourage innovation can backfire by undermining the role of other operators.

One example is the Central Bank's development of open market activity in the past two years. In April 1979, the bank started open-market purchases of Treasury bills nearing maturity. In December 1979, and May last year, it added repurchase and reverse repurchase agreements to its armoury. The agreements are widely said to have helped the authorities to achieve a more flexible management of banking system liquidity and short-term interest rates.

But, say dealers, the corollary has been to open the Central Bank increasingly to commercial bank treasury managers for their liquidity management operations, reinforcing the pattern of bilateral relationships and retarding the development of "impersonal" market makers. For their part, Central Bank officials are aware of the criticism and have tried to answer it by limiting the physical presence of the bank in the market.

Since March last year the Bank of Italy has only been trading for an hour each day, rather than running an open tap through the session.

Influences

The hope is that this will ultimately encourage the development of fuller network of correspondent and broking relationships. But many bankers doubt it. For any sizeable transaction the Central Bank is often the only possible partner, because of the dominance, and the insufficient co-ordination, of public sector influences on the market.

One part of the problem, say the bankers, is that Treasury disbursements into the market tend to be poorly co-ordinated with outflows for tax payments and treasury bill take up. Another is that the treasury bill auctions themselves, for amounts of as much as L13,000bn at monthly intervals, tend to have a disruptive effect.

"Between the (Government) Treasury and the Bank of Italy, there is seldom a two-way market," says the money market chief of one major bank. "You tend to see either all the banks short at the same time, or all the banks long. So you often can't deal interbank for large amounts and by the same token there is not much scope for a broker."

Again, Central Bank officials are aware of the problem and several possible solutions are under study, including a shift to smaller, more frequent bill auctions. In discussions with the authorities, bankers report having been told that daily bill auctions could be introduced "quite soon." But while this would undoubtedly help to smooth out the sharp fluctuations in liquidity which some bankers complain of, it could have un-looked-for side effects.

Bill rates at the primary auctions tend to be accepted at a half-point premium over the secondary market to encourage subscription. Without a cutback in the Treasury deficit financing requirement, daily auctions would need very sensitive management to avoid syphoning all the buyers out of the secondary market.

Local banks have strong influence

SAVINGS BANKS

MARY VENTURINI

ITALY'S SAVINGS banks, Banche Popolari and Casse Rurali, between them collect about 40 per cent of the country's bank deposit. They account for some 900 different credit institutions and have some 7,000 branches. Thus, in a country were importance in the banking world is still often calculated according to the level of deposits and the number of branches, it is clear that these largely locally-based banks have considerable pull and, in some cases, more than their economic effectiveness might actually merit.

Few would question the importance of the largest savings banks, the Cassa di Risparmio Delle Province Lombarde (Cariplo) to Italy's banking system with its L11,700bn in deposits and L20bn profit in 1979. But at the other end of the scale, the Banca del Monte di S. Agata in Catania with its L13bn in deposits and its L15m in profits last year, seems somewhat comic.

Yet there is little serious debate in Italy as to whether there might not be a more efficient way of collecting and distributing these local savings. Nor is it often questioned whether this vast network of local banks might not actually have hindered the development of more sophisticated and profitable forms of savings other than the low interest bearing bank deposit account.

The main form of family saving in Italy—around 70 per cent of all saving—is still the bank account. It is only very recently that the man in the street has begun to look around for alternatives.

Limitations

But, as often as not, the farmer in the Apennines or the shop-keeper in an isolated Sicilian village has no choice. There is the local branch of the Cassa di Risparmio or the Cassa Rurale and nothing else. Whereas these credit institutions may once have enticed money into the banking system (and, in some cases, still attract that cash that would otherwise have been kept under the mattress) these institutions now tend to absorb an ever-increasing percentage of income in their own overheads.

As far as the Casse di Risparmio are concerned, the average return on income is now generally lower than it is for other credit institutions. Soaring administrative costs and the type of investments—often public works but, more recently, ill-advised local industrial development schemes, particularly in the south—are generally considered to be the main reason for this.

The Casse di Risparmio are also required by their charters to invest half their profits in charitable works or other worthy causes. Hospitals, children's homes and restoration schemes are all possible beneficiaries.

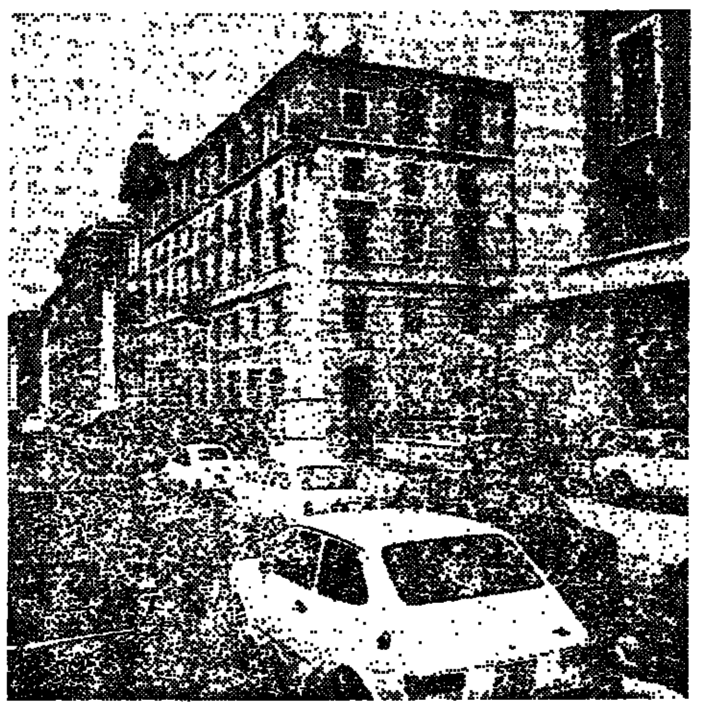
With this sort of patronage at their finger tips, coupled with the vital role they play in local development, it is not surprising that they have become centres of political power.

Loans and profits, for example, have often been allocated according to political criteria. It is not unheard of for annual profits to look very healthy when certain local governments, usually Christian Democratic, need boosting, but to disappear when there is friction between the president or the vice president of the local Cassa di Risparmio and the resident political boss.

The fact that the Casse di Risparmio have also been the constant and the largest subscribers to Government bond issues has also meant that they have had considerable pull in high places.

In addition, the Casse di Risparmio have often been open to individual leverage. This is because about half of them are controlled by associations of private members who have the right to approve the accounts, decide the destination of profits, appoint the board and admit new members to the association.

The Casse di Risparmio have become such a political football that the Minister for the Treasury, who has the power of appointment, has been virtually blocked from making numerous nominations to the top jobs of president and vice-president for years. Strong Communist Party and Socialist Party pressure to open up the nominations to the most technically (rather than politically) qualified for the job set off fierce resistance from some Christian Democrats who saw the move as an open threat to their local power.



Banking area near the Vatican

The fact that reform is urgently needed is clear from the scandal which first hit Italcasse, the savings banks' central institute, two years ago and then saw the arrest, this summer, of around 40 councillors and Italcasse clients on charges linked with the alleged mismanagement of funds. According to accusations brought against Italcasse's one-time director general, the late Sig. Ginseppe Arcaini, back in 1978, Italcasse was also involved in the manipulation of savings accounts, in granting under-secured loans and in pay-offs to political parties, it is estimated that total losses during this period of alleged mismanagement amounted to L475bn.

Improvement

Italcasse is now on the road to recovery after a period under Bank of Italy surveillance. But there is still considerable controversy about just what sort of role the central Institute should play in future. One of the most important points now under discussion is how Italcasse should reconcile the needs of the big savings banks such as the Cariplo with those of the numerous one or two branch outfits. It is increasingly clear that these have about as little in common with the Cariplo as they do wih one of the big public banks, such as the Banca Commerciale.

The Banche Popolari and the Casse Rurali, both of which are Catholic-dominated co-operative credit institutions, have not been so noticeably in the public eye. But they also wield considerable political power at the local level.

Largely for historical reasons, dating back to their foundation last century, they are now controlled almost entirely by Christian Democrats and have been used to reinforce party loyalty at the local level.

The Banche Popolari — 168 institutions and 2,400 branches —are concentrated around urban areas. The Casse Rurali—only about 600 remain since their heyday in the 1920s when there were some 3,000—function mainly in the rural areas, as their name implies.

Only two of these, La Cassa Rurale di Roma and the Cassa Rurale di Carate Brianza, have deposits of over L100bn. Yet, in general, their overheads are low and their profits, as a percentage of income, are, on average, higher than that for the Casse di Risparmio or the Banche Popolari.

Most of the Banche Popolari have remained locally-based, although the two biggest, the Banca Popolare di Novara and the Banca Popolare di Milano are included in the list of Italy's top 15 banks and have branches throughout the country and several offices abroad. But, by and large, it is still the small- and medium-sized companies which are the "bread and butter" for the Banche Popolari. This has meant that they have continued to thrive at a time when other banks have been caught up in the crises which have hit their big clients in the troubled industrial sectors, such as chemicals, steel and transport.

But there is no longer the same air of complacency among the local banks that there was even a few years ago. There is a definite trend towards pooling services, updating management practices and a more aggressive approach to attracting deposits.

The Casse di Risparmio now offer some sort of management training for almost all their personnel; furthermore, computerised services are becoming the norm rather than the exception.

Faced with an inevitable increase in the sophistication of the savings public, rising administrative costs and the disenchantment with low interest-bearing savings accounts at a time of high inflation, even the smaller local banks are beginning to find that political pull and mediocre customer services are not enough to keep the clients coming in.

An active year in the eurocredit markets

BORROWING

PETER MONTAGNON

ITALIAN BORROWERS have had a very active year in the eurocredit markets. According to figures published by Morgan Guaranty Trust, borrowers raised no less than $5.69bn during the first ten months of this year, compared with only $2.33bn in the same period of 1979.

The total makes Italy this year's largest single borrower on this market among industrialised countries. The Morgan Guaranty figures show that Spain, the second biggest borrower in this category, raised only $3.76bn during the same period.

Italy's total also stands out as high when set against amounts borrowed by individual developing countries. Mexico, for example, raised $5.13bn during the same period. Brazil only $2.68bn and Argentina a mere $1.97bn. Only Venezuela with a total of $5.94bn exceeded Italy's total.

Admittedly, these figures cover only one of the markets available to international borrowers. Brazil, for example, relies heavily on export credits to achieve its external borrowing targets and other large borrowers such as Sweden concentrate on fixed interest bonds, a market in which Italy maintains a rather low profile.

Moreover Italy's gross borrowing in the eurocredit market has been boosted this year by one very large refinancing transaction for the electric utility, ENEL. This was a £1bn borrowing mandated in March to Bank of America with a margin of ¾ per cent over Libor, or ½ per cent over U.S. prime for eight years.

Nonetheless, there is little doubt that Italy's net recourse to international markets has been sharply increased this year. A glance at the country's current account balance of payments explains one of the major reasons why such a development was inevitable.

In the first eight months of 1980 the current account showed an accumulated deficit of L3,636bn after a surplus of L4,249bn in the whole of 1979. This sharp deterioration is not only due to the higher cost of imported energy. Failure by the Government to restrict domestic demand at a time of economic slowdown among Italy's trading partners has led to a general surge in imports while high inflation has made exports less competitive.

Despite this, Italy's total foreign reserves have risen this year. International Monetary Fund figures showed them to have reached SDR 19.3bn at the end of August compared with only SDR 16.12bn at the end of 1979.

Caution

Without a greatly increased recourse to foreign borrowing, reserves would inevitably have fallen because of the swing into deficit of the current account.

The swing has in fact occurred at a time when it has been particularly easy for Italy to raise money on external markets.

For most of last year the syndicated credit markets have been characterised by a growing caution on the part of banks towards some of the traditionally biggest borrowers in the Third World. Developing countries have become a much more questionable risk because of the sharp increase in their balance of payments deficits following the oil price rises.

Eastern European countries have also been out of favour with U.S. banks because of the deterioration in East-West relations following the Soviet invasion of Afghanistan.

This has resulted in a flight into quality by lending banks in which margins for the best-rated borrowers in Northern Europe have sunk to levels so low that a number of banks now question the profitability of such business. France, for example, can now command margins well below ½ per cent for state guaranteed borrowings.

Italy and other south European borrowers have not been the object of such extreme pressure on margins, but at the same time they are viewed by lenders as very acceptable risks.

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DEVELOPMENT OF ITALY'S FOREIGN DEBT ($m)

	1975	1976	1977	1978	1979
MEDIUM TERM	21,450	19,494	20,870	20,691	20,549
of which:					
State, state-guaranteed private and public entities	13.475	11,475	14,082	16,595	17,592
Bank of Italy/Italian Foreign Exchange Office	6,262	6,998	6,347	2,703	1,183
Suppliers credits	1.713	1,021	441	1,393	1.774
SHORT TERM	773	3,119	6,789	7,274	8,731
of which:					
Banks' net foreign liabilities	732	3,011	6.573	7,091	8,567
Bank of Italy/Italian Foreign Exchange Office Liabilities	41	108	216	183	164
TOTAL FOREIGN DEBT	22,223	22,613	27,659	27,965	29,280

Source: Banca d'Italia.

ITALIAN BANKING AND FINANCE VII

Troubled sector faces its hottest issue

BANKING LAWS

RUPERT CORNWELL

THE ITALIAN Parliament is currently examining three separate draft Bills that would put bankers from the private and public sectors on the same legal footing. The casual reader might be astonished to learn that they are not so already, and in any case wonder about the significance of so technical a matter. Yet the "*parificatio*" of the standing before the law of all bankers in Italy, from wherever they come, is arguably the hottest issue of any facing the troubled profession today.

The fact that public sector bankers are liable to far more sweeping and arbitrary treatment at the hands of the law than their private counterparts is a thread running through almost all the "scandals" that have lately reverberated through the Italian banking world. These include the Bank of Italy affair of March 1979, which saw a deputy director general of the central bank jailed for a fortnight; the proceedings instigated against half the country's financial establishment in connection with the collapse of the Societa Italiana Resine (SIR) chemical group; and the Italcasse affair last March. On that occasion, in a dawn swoop as melodramatic as it was alarming, almost 40 top executives of the country's savings bank network were despatched to prison.

Controversy

These and other less prominently reported events have in turn cast the spotlight on the controversial role of investigating magistrates in Italy today. The treatment meted out to public sector bankers has raised questions about the merits of the sweeping discriminatory powers of the magistrates, and their ever more ostensible links with the twilight world of Italian politics, the parties and the factions which compose it.

But what is the distinction between private and public bankers in the eyes of the law? It might seem obvious that bankers who are all in the business of looking after other people's money, should be treated in the same fashion. But only too often in Italy the obvious does not obtain. In fact the existing Italian banking legislation of 1936, Article 47 of the Italian constitution, and a 1977 directive of the European Community by which Italy is theoretically bound, all say that private sector and public sector bankers should be equal before the law. Nothing surely can be more clear cut. But that would be to reckon without the complexities of Italy.

Misdemeanours by the private sector are dealt with under civil law. For the offence of "*peculato*" (misappropriation and misuse of funds entrusted to the bank) the maximum punishment is a prison term of between three and six years, and a derisory fine, by modern standards of L400,000 (stg £180). The charge can be brought essentially only by shareholders, who must provide the necessary proof of wilfull wrongdoing.

Not so for public sector bankers. Precedent has established that they are considered civil servants and in their case "*peculato*" is a crime. Not only are the penalties stiffer—prison of up to 10 years and an automatic life-long ban from public office — but since the offence comes under the criminal law, it is in the hands of the magistrates, whose expertise is great and whose powers are virtually limitless under the Italian constitution. Since a majority of the biggest credit institutions are in one way or another State-controlled, and thus in the public sector, the entire banking system is highly vulnerable.

Misuse of their deposits by public banks can be given an extremely wide interpretation. An unjustified loan may be held to be a criminal offence. Even one which was perfectly sound at the time of granting can for reasons completely outside the bank's control turn bad if a company fails on an industrial basis.

Until the early 1970s, however, the disparity of treatment did not make much practical difference. Since then things have changed—for three broad reasons. First, improper use of the banking system by the political parties — for reasons of powerbroking, electoral factors and the rest—has grown. This in turn led to the emergence of a new breed of magistrate, often politically Left-leaning, who in despair at the failure of Parliament and the politicians to put their house in order, quite literally took the law into his own hands an order to clean up public life. Simultaneously a third, and contradictory, trend developed; the identification of certain magistrates with certain political parties. In this way some banking 'scandals' have been little more than political warfare by proxy.

There is, moreover, another factor. All public officials are bound as well to report to the magistracy any wrongdoing they come to know about. It was this provision which led to the sensational arrest of Sig. Mario Sarcinelli, deputy director-general of the central bank, 20 months ago — on the grounds that he did not inform the judiciary of supposed irregularities in the dispensation of funds to SIR by leading public credit institutions.

Exonerated

No one has ever doubted that the Bank of Italy affair was an irresponsible and shameful political attack on one of the few institutions in the country which works decently. Sig. Sarcinelli was later totally exonerated, as was the 68-year-old then Governor of the Bank, Dr. Paudo Baffi. Indeed, Sig. Sarcinelli had acted unimpeachably according to Article 10 of the Banking Law, which stipulates that he should report only to the Governor. But the damage was done, and it will take some while before the central bank's department supervising the credit system, from which Sig. Sarcinelli had to be removed, regains its former assurance.

Indeed another threat to the peace of mind of public bankers has emerged, as the Corte dei Conti, or National Accounts Committee, shows signs of using its powers to bring actions against officials of public banks deemed responsible for irregularities. "If this goes on," said a leading legal expert on the banking system, "no one will want to work for a public bank if you can get punished even for errors made in good faith."

Even at the most humdrum level, other anomalies exist. A bounced cheque drawn on a public bank technically should be reported to the magistracy, otherwise an official is committing a criminal offence. In a private bank, said the expert, "the cheque just gets stopped, and that's the end of the matter."

The three draft Bills are aimed at removing all these contradictions and ambiguities. But it is anyone's guess whether an agreed version can be worked out which will then secure Parliamentary approval. The first obstacle is Parliament itself. The sluggishness of its machinery and the backlog of legislation already awaiting approval. The second is the widely held view, particularly among the Communists, that however desirable such a Bill may be, it must not be used to secure an amnesty for real offences committed, and now awaiting trial.

But that, of course, is precisely what the bankers would like—and more particularly, those elements of the long-ruling Christian Democrat Party most heavily implicated. Meanwhile the fear of unwittingly exposing oneself to a jail term has made appointments at certain public sector banks, even the most prestigious ones like IMI and ICIPU, increasingly hard to fill with people of the required calibre. The humiliation, borne with extreme dignity, of the universally admired Dr. Baffi is still vividly remembered. Lending activities too have quite understandably been hampered, for similar reasons.

It can of course be argued that a change in the law would only encourage misbehaviour and political manipulation of the banking system. But a curbing of the magistrates' arbitrary powers in all probability would mean that supervision of the banking system would revert more fully to the Bank of Italy —from any objective standpoint a wholly desirable development. Unfortunately such is the weakness of the State, and the complexity of the Italian system in general, that the present state of affairs —deemed by all except perhaps the magistrates to be unsatisfactory—will probably continue for some while.

Eurocredit markets

CONTINUED FROM PREVIOUS PAGE

compared with those available in the developing world.

Thus, Italy has been able to raise substantial amounts of extra cash without experiencing any hardening in the terms of its borrowings. Margins had fallen during 1979 and have been broadly stable in 1980.

Early last year, Italian Railways, Ferrovie dello Stato, signed a $200m seven-year credit at a split margin of ⅝-½ per cent over Libor, but by the beginning of 1980 the same borrower was able to raise $300m over seven years at a margin of ½ per cent throughout.

One of the country's most recent major borrowings, for ENEL, is a $500m transaction that entered syndication last month on the basis of a ½ to ⅝ per cent margin for eight years.

It should, however, be noted that Italy's record on margins this year has not been as good as that of Spain where borrowers have been able to negotiate credits on steadily better terms. By this autumn, Spain's official financing agency Instituto de Credito Official was able to mandate Lloyds Bank International and Arab Banking Corporation to raise a $150m credit embodying a $50m, seven-year tranche at a split margin of ⅝ to ½ per cent.

One of the reasons for this discrepancy is no doubt the sharply higher volume of Italian borrowings. Another may be the political uncertainties that left Italy without a government for a period this autumn.

Such political crises do, however, generally leave lending banks unfazed.

"We've seen it before, and we know from experience that the country functions even without a government," said one banker.

This argument is borne out by the fact that one credit, which was in the process of being arranged at the time the government of Sr. Francesco Cossiga fell in September, was one of the most outstanding successes in the euromarkets this year.

This credit, another borrowing by the electric utility ENEL, started out at only $360m, but by the time it had closed no less than $750m had been raised.

Success

The credit, under the agency of Bankers' Trust, bore a margin of ⅜ per cent over U.S. prime rate for the first four years, rising thereafter to ½ per cent for the remaining four. One of the secrets of its success was undoubtedly the prime-based margin.

Prime-based deals are especially interesting to banks with a deposit base in the U.S. as they are cheaper to fund than those which are financed out of the eurodollar market. For this reason, the margins are normally slightly lower than those on Libor based deals.

In the aftermath of this jumbo transaction a spate of new deals was launched, including a further $500m credit for ENEL itself. This left the market feeling saturated with Italian credits and once again criticisms were voiced about the need for a more orderly approach to the euromarkets. This is one important aspect of Italy's borrowing strategy which bankers hope would be tackled if the country is to continue to borrow at such high levels.

ITALIAN BANKING AND FINANCE VIII

On this page, Rupert Cornwell presents profiles of three of the more influential personalities in Italian banking, including Dr. Carlo Ciampi, Governor of the Bank of Italy.

Carlo Ciampi

DR. CARLO CIAMPI took over as Governor of the Bank of Italy in September, 1979, at one of the most difficult *moments in the history of* the Central Bank. Six months earlier, Italy's — and indeed the international — financial establishment had been shaken to its foundation by the Bank of Italy affair, which saw Dr. Mario Sarcinelli, the Bank's Deputy Director General, jailed for a fortnight on spurious allegations.

The same fate would have befallen the Governor himself, Dr. Paolo Baffi, had it not been (according to the magistrate involved) for his advanced age of almost 68. The Central Bank *was swiftly exonerated, but* inevitably its morale and self-assurance were severely dented.

Shortly afterwards, Dr. Baffi resigned, and it has been the task of his successor to repair the damage.

Dr. Ciampi's style is very *different from that of his* two immediate predecessors. Dr. Guido Carli, governor from 1960 to 1975, was the "Grand Commis" of immense international experience and involvement, with a touch of flamboyance unusual in central bankers.

Dr. Baffi, governor between 1975 and 1979, was the academic, an economic liberal of the old school, a deeply respected theoretician of monetary matters. Like both, the 60-year-old Dr. Ciampi moved to the Governorship from the post of Director-General, effectively Deputy Governor, which he had held for barely two years — but there similarities end.

By those who work with him, he is described as a pragmatist, by temperament unaddicted to a rigidly monetarist or Keynesian approach to Italy's manifold economic problems. Rather, Dr. Ciampi is considered a macro-economic specialist, perhaps more closely involved than usual in wider economic management that goes beyond the narrow confines of a central bank's normal interests. It was natural that he should have been one of the prime movers behind the development of bank consortia to rescue companies in trouble.

On his tenure of office so far, it is too early to pass real judgment. The most important aspect is that, under his unobtrusive guidance, the Bank of Italy's internal workings have returned to normal after the earthquake of 1979. In his 15 months as Governor, Dr. Ciampi has pressed behind the scenes for progress to iron-out the legal disparities between public and private sector bankers (a topic dealt with at length elsewhere in this survey), and encouraged the growth of a more sophisticated domestic money market — in particular, by the development of Treasury Bill repurchase agreements with commercial banks.

However, through no fault of his, or of the bank, the task of managing the lira is more difficult today than for some years. Foreign exchange markets are debunking some of the old articles of currency faith, while scandals and ever more short-lived governments have only increased the importance of the central bank in running the economy.

Above all, Dr. Ciampi is a Bank of Italy man. He joined *it in 1946* at the age of *26 and* has stayed there ever since. Some misgivings were voiced when he became Governor, that he represented a subtly political choice at the head of one of the few Italian institutions which have remained free of political involvement.

But even if that were true, such a factor was vastly outweighed by the intense loyalty and *espirit de corps* which a career at the bank quiet plainly bestows on those who work there. For that reason, his appointment was welcomed *within the bank*, as distinctly preferable to someone, however prestigious, being thrust upon it from without.

Giovanni Guidi

SIG. GIOVANNI GUIDI is both president and sole managing director of Banco di Roma, Italy's fifth largest commercial bank. *It is a combination of* offices rare in Italy—the post of chairman in the British or American sense in a country where the largely representative office of president is generally kept separate from the executive post of managing director. It also means that Sig. Guidi, in an unusually complete sense, is in charge of the recovery of the bank—the effort to put the problems of the mid-1970s far behind it.

The new policy of Banco di Roma, according to Sig. Guidi, *has five broad strands. There* is a new market emphasis, to provide a better service for customers; decentralisation, whereby much of the bank's day-to-day operations have been made over to four self-contained units in Rome, Milan, Turin and Naples. This in turn is being supplemented by a greater planning organisation to make the bank's working more cohesive. Fourth comes the development of high calibre personnel on an increasing scale—"You can buy any machine you like but you can't buy men on the market." Fifth is unity at the top—symbolised by the twin functions of Sig. Guidi himself.

Sig. Guidi has clear views on the changes required within the Italian banking system itself. A central point he stresses is the need to break the excessive harmonisation which has been imposed upon it—largely as a result of overall economic management becoming concentrated, by default, in the hands of the Bank of Italy. 'The practical distinctions between big *and small* banks have been whittled away, he says, to the point where all banks "provide all services."

In 1953, for instance, only 12 (big) banks were permitted major foreign activities. By 1978 that figure had risen to 237. Now, declares Sig Guidi, some differentiation and specialisation should be encouraged, especially given current credit regulations. These are helping smaller banks, today on a similar operational footing with the big banks, to increase their share of the total market. Present restrictions do not apply to credits of up to L130m ($143,000), which account for four-fifths of small bank lending. The reverse is true for the larger, which have seen their ability to step up lending correspondingly curtailed.

Reputation

Indeed Sig. Guidi would not be averse to a major reform that might allow big banks to take direct shareholdings in industry—along French or West German lines. Meanwhile they are under challenge from the steadily growing army of foreign banks which have set up in Italy, mainly in the leading centres of Rome and Milan.

The other burning issue of the hour is the long-overdue programme of capital increases for the three major banks—of which Banco di Roma is one—owned by the public sector IRI conglomerate. This, he says, is vital for two reasons: for the image of the banks abroad, where their low ratio of capital and own resources to total balance sheet assets often astounds observers; and to enable banks to join the rescue consortia being set up in Italy to help companies in trouble. Currently, Sig. Guidi underlines the ratio of own resources to assets in Italy is about 2.7 per cent against 6 per cent in the U.S. and 7 per cent in Switzerland. Approval for increases finally came before the end of last year.

Whatever one thinks of the consortium principle ("The law of 1978 came too late and basically works well for companies which are fundamentally sound — but not for those on the edge of collapse," says Sig. Guidi) Bank of Italy guidelines make capital increases essential if banks are to take part in them. What better moment than now, when the Bourse, where the small minority of public bank shares in the hands of outside investors is traded, is booming" as rarely before?

Sig. Guidi would be delighted to see the IRI stake in Banco di Roma cut from its present 89.2 per cent. The public undoubtedly would buy the shares, thus saving the State money. IRI indeed may drop its holding to 75 per cent under existing legislation. But why not to 51 per cent? "After all," says Sig. Guidi, "in practical terms it is the same thing."

Enrico Cuccia

ASK ANY banker in Italy who is the most influential of their number, and the answer will always be the same: Sig. Enrico Cuccia, managing director of Mediobanca, the country's only genuine counterpart to the British merchant bank or the French Banque d'Affaires.

In the finest tradition of Italian paradox Mediobanca is publicly owned — around 57 per cent of its capital is split between the "Big Three" IRI banks, Credito Italiano, Banco di Roma, and Banca Commerciale Italiana — yet nothing could be more *private* than Mediobanca, and the epitomy of that privacy is Sig. Cuccia.

Sig. Cuccia's life has been given over to the bank that he has guided since its creation 35 years ago in the wreckage of World War II. Uniquely in *a country much addicted* to empty rhetoric and idle gossip, he has never given a Press interview. Rarely indeed does he seem to have been photographed. The standard shot that illustrates any news item about Mediobanca is a hasty backward glance of a man in a homburg hat in a foggy Milan street with his coat pulled tight around his neck, seemingly fleeing this unwarranted intrusion into his privacy.

Yet 73-year-old Sig. Cuccia has been involved in, and often the prime mover of, almost every event of note in Italian high corporate finance since the war. The merger between Edison and Montecatini to form Montedison, the tumultuous events that later surrounded the chemical group, the deal which *gave Libya 10* per cent of *Fiat*, and the motor group's current L500bn capital-raising operation. It was Cuccia, more than anyone else perhaps, who thwarted Sig. Michele Sindona, in the (since jailed) financier's bid in the early 1970s to dominate *Italy's financial* establishment. Indeed he has become the symbol of a Northern Italian, especially Milanese, *haute bourgeoisie*, fighting with mixed success the ever-growing encroachment of the Rome politicians into the world of industry.

Throughout his career, Sig. Cuccia has utterly shunned politics, a feat ever more difficult and uncommon in today's Italy. He has turned down awards and distinctions by the score, as well as countless offers of board seats, frequently even in companies where Mediobanca (uniquely for a bank in Italy) has been permitted to take an equity participation. He is, as a close associate put it, "a real banker, who believes in the old-fashioned virtues of banking, *risk judgment and discretion*. There are not many like him any more."

Impeccable

Sig. Cuccia's credential for the task of defending the essentially industrial nature of industry are impeccable. He comes from post-war Italy's most eminent financial academy, that group of economists and bankers who learnt their trade under Dr. Raffaele Mattiolo, president of Banca Commerciale at a time when the ashes of military defeat tasted their sourest, in the middle 1940s.

Sig. Ugo La Malfa, the Republican party leader who died in 1979, was perhaps Sig. Cuccia's closest parallel in the political world. He, too, devoted his life to a cause: of bringing his country into the West European mainstream where it belongs.

In financal terms Sig. Cuccia perhaps may be said to have attempted the same thing—as vigorously as ever today as the current reorganisation of the chemical and fibres industry after the disastrous "chemical war" of the mid-1970s, shows quite clearly. Equally clearly though, Sig. Cuccia cannot go on for ever. Sooner or later he will step down from a post that is of vital importance if the regeneration of productive Italian industry is to be successfully completed. That moment, and that choice, will say much about the financial path that the country will subsequently take.

Nick Garnett looks at the industrial relations problems of the UK clearing banks, whose pay negotiations are now under way

Banks caught in a web of pay talks

THE FIVE English clearing banks are now in the middle of their annual pay talks. But there is no agreed national negotiating procedure, the general secretaries of the two main unions involved are not speaking to each other, and the negotiations threaten to turn *into an object* lesson of how not to handle such matters.

All this would be bad enough. But this year's talks also have wider significance. Mrs. Thatcher, the Prime Minister, has warned the banks that *settlements* which are too high could damage the rest of the economy.

And the Confederation of British Industry singled out the banks as one group whose wage deals need to be particularly "responsible" because *of* their knock-on effect on other sectors.

As the accompanying article shows, the almost 250,000 people employed in Britain's clearing banks have done well in the past few years. Yet the existing negotiating structure remains *an ugly patchwork.*

On the union side three groups are involved:

- The Banking, Insurance and Finance Union (BIFU), which is affiliated to the TUC, has 70,000 members in the English clearers (and 60,000 elsewhere in the industry). It has won sole negotiating rights at Williams and Glyn's and is recognised by the other four: National Westminster, Barclays, Midland and Lloyds.
- The Clearing Bank Union, which is not affiliated to the TUC. It has 90,000 members, but in only three banks: Barclays, Lloyds and NatWest. It has just laid the groundwork for a possible drive to recruit in the other two.
- The Association of Scientific, Technical and Managerial Staffs (ASTMS) has 4,000 members at the Midland, where it is recognised.

The two principal unions are at loggerheads. One, the BIFU, feels it necessary to aim its strategy at trying to erode the whole structure of the other.

On the management side meanwhile, the situation is also complicated.

Midland, Lloyds and Williams and Glyn's have negotiating procedures for a range of issues not covered in national negotiations. Barclays and NatWest have no agreed procedure, but are trying to obtain them.

Lloyds has complicated the issue by having a separate agreement, *including* arbitration, for managerial grades with the Lloyds Staff Union, which is part of the CBU. The results of this arbitration have proved embarrassing for other banks in the past.

It is not surprising, therefore, that the annual negotiations are difficult.

Pay and other major *issues* for the 180,000 staff in *clerical* grades 1 to 4—up to and including the minimum managerial pay rate — are negotiated nationally, with separate but identical negotiations with BIFU and the CBU.

The same main issues are also negotiated nationally for the 10-15,000 *technical and services* staff—including messengers. NatWest, however, has not been party to the national negotiations.

But although these negotiations are carried out nationally, there are now no formal procedures. The national negotiating body for clerical staff disintegrated three years ago when BIFU (then the National Union of Bank Employees) withdrew because it could be outvoted by the bank staff associations. These subsequently became component parts of the CBU.

Last month the banks gave notice that they were terminating the national bargaining machinery for the technical and services staff. This was because the machinery had become unworkable when the CBU—formed in the summer—took over all national negotiating rights from the old bank staff associations.

Major negotiations for *managers* are handled "domestically" within each bank. Because of recruitment and other pressures, however, the banks tend to ensure that pay and conditions are generally similar. As a result, even at this level, domestic bank negotiations have a *roll-on* effect from one bank to another.

The banks come together to deal with national issues in the guise of the Federation of *London Clearing Bank Employers*, which has a small full-time staff. NatWest and Barclays, because of their size, probably play a predominant *role in federation decision*-making. But the federation tends to reflect the stresses and strains which arise out of disagreements between banks over *negotiating tactics and aims.*

Such a jumbled set-up does not make life easy but some of it may be inevitable. There are, after all, five separately managed banks. And wage and other negotiations have to cover a very wide range of staff groups—from clerical staff earning less than £3,000 a year up to managers, earning five or six times that.

Moreover, *difficulties* at national level have rarely affected customers directly and domestic relations in some of the banks—BIFU would say Lloyds and Midland—are relatively good.

None the *less*, the *banks'* national labour relations are frequently a painful exercise.

In short, the banks are faced with the debilitating effects of having two competing sets of national claims from two unions *representing the same groups* of staff—a situation with which it is virtually impossible to cope.

Without any formal negotiating procedures—which in the *past have included arbitration* provisions—the banks have recently been compelled to impose settlements on one or other of the unions.

They *forced* the CBU to accept the last pay settlement which had been agreed with BIFU. Last November, they imposed on BIFU an agreement on Christmas holidays that had been signed by the CBU.

But if the banks have to carry on *like* this, *imposition* will eventually backfire in the form of a dispute—almost certainly with the TUC union.

As a result, the banks would *now prefer one staff union. It* is not their fault that relations between BIFU and its rival are some of the worst in the trade union movement. Mr. Leif *Mills, BIFU general secretary*, said last week of Mr. Jack Britz, CBU general secretary: "I've never really met the man and I have no intention of doing so."

BIFU's *strategy* is now based on the belief that by ignoring the CBU at national level and making its life as difficult as possible, *the natural tensions between the CBU's national* operations and the domestic nature of its component parts—the staff union of each bank—will result in its disintegra*tion.*

In practical terms this strategy means that BIFU will not sign joint procedure agreements or agree joint arbitration *provisions with the CBU.*

The banks are on the point of offering separate but identical procedure arrangements to the two unions, involving *voluntary arbitration, which* would be activated even if only one of the unions agrees. Arbitration would be binding, however, on the other union.

That would be unacceptable to BIFU. The banks could then be forced to retreat either muddling on as at present or offering an alternative such as *separate procedures but with*-out arbitration.

Some bank personnel take the view that if the present wage negotiations prove difficult, the *national set-up could crumble. Negotiations would then return* to individual banks.

On the management side there are inevitable stresses within the federation between *individual banks* and because the concept of national negotiations is not always liked by senior bank officials, who essentially want to keep as much as possible "in-house."

"The banks are often at sixes and sevens. The job of Nick Cowan (federation director) is much more difficult than mine," *says Mr. Britz.*

The banks' attitudes are coloured by what union officials see as their failure to come to terms fully with the concept of *collective employer negotia*tions. The creation of the federation 12 years ago was to some extent a defensive reaction.

Computerisation and centrali*sation have, meanwhile, made* banks especially vulnerable to disputes in computer centres and cheque clearing operations. Here a strike can have a devastating *impact within hours.*

A new breed of bank workers has also been created. In the past, the banks generally have not suffered from the pressures of job demarcation and the *stresses of structural change* resulting from new technology.

But a new attitude has been fostered in the big "money factory" operations of the *banks and in those sections* where work, such as messenger and technical services, is similar to that in manufacturing industry. There has been *evidence here of a growing* willingness among staff to adopt traditional trade union tactics by confronting employers with the threat—and in some cases *the reality—of industrial action* in a bid to resolve disagreements.

It is this attitude, coupled with what the unions see as a *possible threat of new equip*ment to jobs within the next decade, which could make industrial relations in the banks even more testing than they have been.

The staff have been doing quite nicely

IT WAS recently reported that the Midland Bank was believed to have sustained increases in its UK staff costs *(including pensions and* profit shares) of 42 per cent in the year to June 1980.

There is of course plently of room for argument about the extent to which this figure reflects improved living standards for individual bank employees, because it includes the cost of extra staff, and overtime worked. However, it does not reflect the great benefit derived by staff from very cheap mortgages.

Certainly bank staffs have been doing quite nicely in terms of total remuneration increases over recent pears. Union officials have been encouraged to make large *claims by the banks'* increased UK profits.

The average UK bank employee's remuneration—excluding profit shares and the benefit of *low cost mortgages*—increased between 16 and 19 per cent in 1979, depending on which of the clearers is looked at. In that year the average rate of inflation was 13.4 per cent.

For 1978, remuneration increases range from 14 to 15 per cent, and the rate of inflation for the year was 8.3 per cent (allocations to staff profit-sharing schemes for 1979 were up between 39 and 56 per cent).

The current salary of a 17-year-old clerk at the bottom of *Grade One is £2,335, rising* to £6,840 for the most senior clerks in Grade Four who may be senior cashiers. The minimum managerial salary is *£9,349 (staff in London* received a London weighting allowance in addition). All staff take part in the profit-sharing scheme and get low cost mortgages.

One of the clearers reckons that its UK employees averaged a 27 per cent increase in remuneration, plus profit share, in the past year.

Michael Lafferty

Letters to the Editor

Increased monopoly

From Mr. J. Aylen

Sir,—The Government believes in the beneficial effect of com*petition upon industrial* efficiency. In order to realise these efficiency gains it has suggested hiving off parts of nationalised industries to the private sector. Unfortunately recent proposals seem likely to have the opposite effect to that intended by the Government. Far from increasing competition, selling off parts of the public sector may increase the degree of monopoly in the economy. There are at least two cases in point, both still under discussion.

The Phoenix talks between *British Steel Corporation and* GKN have explored ways of merging their competitive steel-making interests in billets, reinforcing bars and rods. This is one of *the few areas of steel* production where the scope for unit cost reductions through achieving economies of scale are limited. Both BSC and GKN already have excellent production facilities of more than adequate size and technology, notably at Scunthorpe on South Humberside and Tremorfa in South Wales. So there is little prospect of efficiency gains through rationalisation of production facilities. The UK rod, bar and billet market is highly competitive. A number of private sector steelmakers com*pete effectively* with BSC. Some of the newer entrants to the market, such as foreign-owned mini-mills, have found the market to be profitable providing efficient operation is attained. Sheerness Steel has won a Queen's Award for Export for selling at the *lower* quality end of the world rod and bar market. We can only conclude there is no sound case *for the merger of GKN and* BSC's interests other than to give these two particular producers more monopoly power in a market where competition is otherwise working well.

Similarly, European Ferries, which operates the "Free Enterprise" fleet of ferries, is anxious to acquire British Rail's shipping division. In these circumstances each of their ships might be aptly renamed "Near Monopoly." For even if British Rail's Belgian, Dutch and French partners in the Sealink consortium were to part from the British end of Sealink, this would still leave an enlarged European Ferries with considerable monopoly power after the merger. In particular, roll-on *roll-off routes to* France and Belgium from Dover and Folkestone and routes to the low countries from Harwich and Felixstowe would be dominated by a large carrier. Holiday-makers and freight lorries alike would have less choice and fares would almost certainly rise under British price leadership.

In neither case is the decision finalised. It is to be hoped that the Government will realise the pursuit of doctrine may have unintended side effects which *are contrary to its express* policy aims. Instead it should intervene directly to strengthen rather than weaken competition, perhaps by making merger *more difficult* rather than quite so easy.

Jonathan Aylen,
(Lecturer in Economics),
University of Salford.
Salford, Lancs.

Inspiration at the BBC

From Mr. R. Laughton

Sir,—Chris Dunkley, in his television review of 1980 (December 31), *suggests* that the "Great Railway Journeys" series was "inspired by the sales arm of the BBC." This is not true. BBC Enterprises, which provided part of the funding for this series, was not *involved in* discussions about the programme format or content at any stage.

For the record, the idea was mine—with a little inspiration from Paul *Theroux* and the Reverend Daniel Awdry.

Roger Laughton.
(Series Producer,
"Great Railways").
BBC
New Broadcasting House,
P.O. Box 27,
Oxford Road,
Manchester.

Bede's view of England

From Mr. N. Webster

Sir,—Thank *goodness* that someone, namely Mr. E. G. *Macfarlane* (December 31), has remembered the preamble of the Treaty of Rome which calls for "an ever closer *union* of the European peoples and an elimination *of* the barriers which divide Europe." Mrs. Thatcher, like so many others, either has no cognisance *of this* aim or lacks the will to pursue it.

I recall that one of the greatest of Englishmen, the Venerable Bede, called his book "A history of the English *Church and State*" at a time when Ina of the West Sax was making inroads against the hated Mercians and factions elsewhere in Britain were wasting their energies in futile conflict. A glance at a world map will reveal the essential pettiness of the present European boundaries; these are comparatively recent and divide peoples of one brotherhood. In the aim for renewed unity nothing need be lost of those national characteristics and customs which we see so delightfully preserved in the portions of our own United Kingdom.

N. W. Webster.
Wetherlam, Ecchinswell,
Via Newbury, Berks.

Causes of inflation

From Mr. J. Heath.

Sir,—I disagree entirely with Mr. Sutton's views (December 31) *that inflation is composed of* four elements.

Inflation figures are available from 1661, and a graph of those inflation figures, plotted against this country's involvement in wars during the period from 1661 *to 1900 shows* very clearly indeed that inflation invariably happens in times of war, when the Government has to pay for the cost of the war, and when the war in *question* has *finished*, the Government stops spending *money*, and deflation follows.

The result is that from 1661 until 1931 we had a fairly stable currency — *with* a line rather like the cutting teeth of a saw. *That pattern* was followed in 1919 which produced 12 years' deflation. The graph is accurate enough clearly to identify the inflation which started with the *rearmament programme of* 1936. From 1939 to 1945 we had very steep inflation indeed, as we did between 1914 and 1919, but, after 1945 that inflation continued.

Why? Well, the historical base *of the graph shows that we get* inflation in times of war when the Government is the biggest spender, and it also demonstrates on that historical basis that, when the Atlee Government was returned in 1945 pledged to a programme of wholesale Socialism, the war-time levels of taxation were retained to pay for that programme and the result is that, instead of following the historical pattern which obtained since 1661, instead of deflation, we had inflation which has continued over the past 35 years *unabated at annual rates which* have been as much as 25 per cent, and which is proving very difficult indeed to beat.

At the moment, instead of paying for a war, which has in the past been the cause of in*flation, we are being required to* pay for a weight of over-Government and state intervention which we neither need nor can we afford.

I believe devoutly that the solution is that Government must govern and withdraw from everything it possibly can except the essentials, so that the nationalised industries, the social services, local government (and wasn't Peter Walker's Local Government Act 1972 inflationary?) are made to realise that they cannot be feather-bedded on printed money by Governments — as they have been in the past — of both parties.

I think it is only then that we are going to beat inflation and restore normal financial disci*pline.*

J. Stanley Heath,
Beaver's Lodge.
10 Albert Road, Trentham,
Stoke-on-Trent, Staffs.

Subsidies for railways

From Mr. N. Seymer

Sir,—Mr. Wallis writes (December 30) that "Britain can't afford huge subsidies (to British Rail) ad infinitum." Two Cambridge men can at least *agree on that.* But when he argues that the way to bring the subsidies down in the long term is to increase them substantially in the short term (in the form of capital *grants), I beg to differ.* Haven't we heard all this before?

I for one would place little credence in any forecasts and assumptions made by BR. Mr. Wallis points out that the statistic *which I quoted from* a BR advertisement is a misleading one. This need not surprise us. Two other BR political advertisements have been the subject of *complaints* which have been upheld by the Advertising Standards Authority. Unfortunately newspapers are under no obligation to report ASA findings of this kind, and generally do not report them.

Another of these advertisements gave a tendentious impression of the findings of the Monopolies Commission concerning BR commuter services. Is seems surprising that the Government permits BR to continue spending taxpayers' money on these advertisements, which are aimed at getting the Government to pour yet more money into a mode of transport *which has long since ceased to* be viable or even potentially viable.

Nigel Seymer.
Bathealton Court, Bathealton,
Taunton, Somerset.

It makes you weep

From Mr. A. Napier

Sir,—Many recent articles and correspondents have trotted out all the old fallacies about "overmanning," "non-viable mode of transport," and "welfare economics" in relation to British Rail fares, postal charges, BL, local rates, etc. Rubbish!

The state insists that no one may buy £100 of labour or labour content unless he or *she* pays a levy of up to £70 for the privilege (at the standard rate of tax) plus VAT where applicable. If we find this burden unbearable in particular instances the employer either merges or closes down (e.g. Chrysler UK, Singer Clydebank) or the state refunds part of the exaction with much heart-searching and gnashing of teeth (e.g. school meals, rent and rate rebates, BL). This is not subsidy —it is hyprocrisy. Sometimes the state both closes and refunds (e.g. Alfred Herbert, parts of British Steel and British Rail).

Further the state insists that £100 of labour or labour content will cost us far more if we buy it from a single tenant than from a married person with a mortgage. Not surprisingly, the state next passes laws to prohibit "discrimination" — i.e. value for money.

All *this is* with 2,244,229 unemployed. It makes you weep.

Alec W. Napier.
Wrecclesham Grange,
Farnham, Surrey

Programme for the New Year

From Mr. H. Spender

Sir,—I have read (December 31) the "Programme for the New Year" by the director of the *Institute of Directors but* feel it contains very little that is not constantly contained in consultants' never-ending reports to boards of directors. *Nevertheless*, he *feels* it necessary to reiterate the obvious, but, nowhere in his homily do I perceive the words "maximising the profit" as one of the 1981 aims of all boards.

He asks directors "to improve productivity by investment in high technology equipment," but ignores from whence comes the cash to do it. He loses himself, as many "*advisers*" *do with* "improving systems of employee communication," "employee involvement in the business" and "worker financial participation," but nowhere does he mention that the board must give a thought now and again to the capital providers. Up to 1980 (anyway) the last-named have experienced the greatest degree of suffering from inflation, far *more than the workforce* and directors themselves.

If the IoD is now "dedicated" to maximising the effectiveness of Britain's boards the word "*profitable*" *should* have been inserted somewhere in the new Rules.

Herbert R. Spender.
45, Huntly Road,
Bournemouth

Today's Events

GENERAL

UK: Lord Snowdon launches International Year of Disabled People, Guildhall.

BBC Radio announces new season of programmes.

Sir Ronald Gardner-Thorpe, Lord Mayor of London, attends City New Year Service at St. *Michael's Cornhill, EC3; lunches* with Mr. A. F. Tuke, chairman of Barclays Bank, Lombard Street.

Senor H. Zannier, Bolivian charge d'affaires, opens an exhibition of Bolivian stamps at Stanley Gibbons Gallery, WC2 (until January 31).

Braniff Airways world doubles tennis *championships* open, Olympia (until January 11).

Overseas: Herr Helmut Schmidt, West German Chancellor, starts two-day visit to Morocco.

OFFICIAL STATISTICS

Department of Industry issues the December provisional wholesale price index numbers. London clearing banks' monthly statement for mid-December. Bank of England publishes UK banks' eligible liabilities, reserve assets, reserve ratios and special *deposits for mid-December.*

COMPANY MEETINGS

Wade Potteries, Manchester Pottery, Burslem, Stoke-on-Trent, 12.

COMPANY RESULTS

Final dividends: A. G. Barr. *Winterbottom Trust.*

LUNCHTIME MUSIC. London

Chopin Etudes opus 10, played by Ronald Smith, piano, Bishopsgate Hall, EC2, 1.05 pm.

Organ recital by Margaret Phillips, St. Lawrence Jewry-next-Guildhall, Gresham Street, EC2, 1.0 pm.

Grattan's final will be 'substantially reduced'

Grattan Warehouses, the troubled Bradford-based mail order group, yesterday warned shareholders that the final dividend for the current year will be "substantially reduced."

The company—which underwent a substantial Board reorganisation last June—has already maintained the interim dividend at 1.886p, which is payable today. The final for 1979-80 was 4.425p.

One of the reasons behind the dividend decision was the present short-time working (4-day week) at the group and potential staff redundancies. Other factors taken into account were the anticipated lack of advance corporation tax relating to future dividends and the lack of cover for the present level of dividends (whether calculated on historic cost accounting or current cost accounting).

The shares fell 6p to 60p yesterday. At this level they are 10p above the year's low.

In September the group, which is undergoing a modernisation programme, reported profits for the first half of 1980-81 down from £2.46m to £2.04. This followed a sharp decline from £11.28m to £4.45m for the year 1979-80.

In their interim statement the directors said that sales had been disappointing and the level of demand from the new catalogue much slower than they would have liked. The company said it was taking steps to stimulate demand and maintain control over expenses.

Grattan said yesterday that sales for the Autumn/Winter 1980 catalogue "have continued at a rate significantly below last year." But the directors said they were "encouraged by the initial reaction of our agents to the new Spring/Summer 1981 catalogue" which has now been distributed.

Following a ruling by the Accounting Standards Committee, Grattan is to revert to the accruals method of accounting for VAT, a method used by the company prior to the change in the last accounting period. This change for the year 1979-80—which had the effect of increasing pre-tax profits for that year by £1.97m—attracted an auditors' qualification in the accounts.

The company said that the change back will have no adverise effect on the profit and loss account for 1980-81 as the total debtors outstanding at that date will be less than that at January 31, 1980.

There has been "a continuance of the marked improvement of the company's cash position." With the lower level of trading, combined with much-improved control of costs, finance and stocks, the company estimates that the year-end balance sheet will show a reduction in borrowings of at least £15m.

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Rolfe & Nolan's buoyant outlook

ALTHOUGH pre-tax profits of **Rolfe and Nolan Computer Services** are down from £76,000 to £51,000 in the six months ended August 31, 1980, the Board believes that profits for the current year are unlikely to be less than the £160,000 recorded in 1979-80.

Turnover of the group, whose shares have been traded under Rule 163 (2) since last July, rose by more than 20 per cent as indicated at the time of the share placing and does not take any material account of the price increases introduced on August 1.

The directors also confirm that a final dividend of not less than 1p net will be recommended with the publication of the full year results. Application has been made for the group's shares to be listed on the Unlisted Securities Market as from January 12.

Stated earnings in the first half are 1.45p against 2.34p. The profit has been made after having charged a significantly higher depreciation figure of £47,000, compared with £26,000 the previous first half.

The depreciation figure for the first half of 1980-81 includes a charge on two PDP 11/70 computers whereas for the corresponding period in 1979-80 the charge related to only one computer.

The directors say the level of increase in business experienced during the first half of the year is continuing. In addition, the second half of the year will see the full benefit of the recent price increases.

The capacity for business expansion has been further increased by the recent acquisition of a commercial computer operation from Bunzl Pulp and Paper. This is expected to add 25 per cent to revenue in a full year and marks a new area of diversification for the company which will be expanded in coming years.

The company is also taking delivery of a third PDP computer towards the end of the current year.

• comment

Rarely does a company suffer a decline in profit less than six months after being introduced to the market, especially a group launched on a glamour rating. The one-third fall in interim pre-tax profit of **Rolfe and Nolan**, which provides computing services to commodity brokers, knocked 2p off the shares yesterday but at 66p, the fully taxed p/e is still almost 19. The cause of the decline, squeezed margins and a sharply increased depreciation charge following a big computer purchase last year, are clear, but one wonders if they were not in the cards in July. The group raised its prices by 18 per cent in August and expects second half profit to jump by about 30 per cent even if commodity markets remain dull. But the full year result would still reflect an unexpected absence of profit growth.

Heavitree Brewery nears £0.6m

Following the first-half rise from £207,653 to £224,654, pre-tax profits of the **Heavitree Brewery** reached £594,730 for the year ended October 31, 1980, compared with £546,579, on turnover up £0.3m to £3.27m.

After tax of £304,727 (£285,613) earnings per share were marginally lower at 63.2p, against 63.4p. A final dividend of 13.8p raises the total payment from 19.274p to 20.4p.

The company has "close" status.

BIDS AND DEALS

Dalgety buys Spillers French stake

BY CHRISTINE MOIR

Dalgety has paid £13.12m to buy out its minority partners in **Spillers French** the country's third largest flour miller which it acquired 75 per cent of as part of the £70m takeover of Spillers in 1979.

Spillers French was set up in the early 1970s, first as a partnership between J. Lyons and the Co-operative Wholesale Society and then as a defensive merger with Spillers' baking and milling business. The two outsiders together held 24.9 per cent of the equity.

Yesterday is was announced that they had accepted £10.32m, satisfied by the issue and placing of Dalgety shares, for their equity stake.

In addition Dalgety is to repay £2.8m of loans in cash.

Lyons, now part of Allied Breweries, and the CWS, have had an option for some years to require Spillers to buy out their half of their stake and talks to this end had already begun before the Dalgety takeover. The talks then changed to a complete sell out.

Yesterday Sir Alex Alexander, Lyons' spokesman, said that selling out made considerable sense as the minority partners could not influence the reorganisation and changes now planned for Spillers French by Dalgety, and felt that they could deploy the assets better themselves.

It is clear that neither Lyons nor CWS were prepared to invest further into the business which has not been better than "an erartic earner" for them

Spillers French used to contain Spillers' baking business before 1977 when the group withdrew from bread making and wrote off £29m of assets leaving only the small, if profitable, cake baking side.

Its main division today is the milling business, with a turnover of £150m, which has direct retail outlets plus large contracts with Associated British Foods (due to expire in 1983) and Rank Hovis McDougall (till 1988). Rationalisation is planned in this division.

The third arm is the animal feed and merchanting business, together with the grain store in France. This lost £6m in the year to the end of June and although Dalgety is confident of making a return on it this year has already cost £8m in new investment and rationalisation arising from the efforts of merging with Dalgety's branches.

Neither CWS nor Lyons contributed to that investment last year.

Dalgety financed the buy out yesterday by a vendor placing of 3.75m shares at 265½p, compared with a market price of 276p. The placing, said to have been "comfortably" handled by Rowe and Pitman and Cazenove, therefore raised some £300,000 less than the consideration for the minority stake.

Mr. David Donne, Dalgety's chairman, said that the buy out now gave the group the flexibility it needed to get on with reorganisation which formed the basis for earnings performance. He ruled out a rights issue in the near future.

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First expiry date for Hanson bid

THE OFFER by **Hanson Trust** for the equity of **Central Manufacturing and Trading** yesterday reached its first expiry date.

Two conditions on which the bid depends have been satisfied; the Secretary for Trade has decided that t he bid need not be referred to the Monopolies and Mergers Commission, and the Stock Exchange has granted a listing to the Hanson shares which may be issued in respect of the offer.

But it is believed that Hanson has received only a very modest number of acceptances, and is likely to extend the offer. The offer has been stated to be final, and therefore cannot be increased.

Caparo Group, which has been considering whether to make a counter bid for CMT, has continued its buying of CMT shares. Caparo has acquired an additional 225,000 shares, and now holds 5.16m shares (19.5 per cent).

WOOD HALL IN AUSTRALIA

The Australian Government has given its approval for AML and F Holdings, 74 per cent controlled by Wood Hall of the UK, to acquire some of the assets of the Australian Estates Group.

A condition of the approval is that AML and F must increase its level of Australian ownership from 26 per cent to 35 per cent within five years.

Ward White not to make K Shoes offer

Ward White, the footwear group, has decided not to proceed with a bi dfor K Shoes, which has already received a £22.4m agreed offer from C. and J. Clark Group, the largest footwear manufacturer in the UK.

Ward White acquired a near 15 per cent stake in K Shoes in October. At the time of the bid by C. and J. Clark in December, Ward White said that it was examining the position "with a view to considering an offer."

But in yesterday's short statement the group said that "it has decided not to proceed with offers which it ha dconsidered making for K Shoes."

On the London stock exchange the group's shares fell 3p to 93p.

In recommending the 95p per share cash offer to shareholders, K Shoes chairman, Mr. Spencer Crookenden said in the offer document that since its share purchase "Ward White have made it clear that they would like to have talks with us about a possible merger, but after a number of discussions with them we are not persuaded that such an alliance would make sense for K Shoes."

Mr. Crookenden said that sood after the Ward White share purchase at 60p per share the group was approached by Clarks. "After a number of informal meetings they put to us proposals which, much as K Shoes values its independence, the Board felt should be supported with enthusiasm."

J. Henry Shroder Wagg and Co., advisers to the C. and J. Clark Group, said that the announcement "removed an area of uncertainty." The first closing date of the offer is on January 14, and although there has been speculation that a counter-bid might emerge from another quarter, so far any other party has yet to declare its interest.

Morgan Grenfell, advisers to Ward White, commenting on what Ward White planned to do with its stake, said, "they will wait and see what happens."

Avon Medicals sold for £2m

Avon Rubber, the Wiltshire based tyre group, is selling its Avon Medicals business at Redditch and European marketing subsidiaries ...to Smith and Nephew Associated Companies for £2m.

Avon—which announced in October that it was engaged in talks which might lead to the sale of its medicals subsidiary—recently announced profits down from £2.55m to £840,000, with the medical side showing a loss of £797,000.

The sale to S and N will not include the freehold premises and certain services and activities at Stirchley, Birmingham, or the U.S. subsidiary Dravon Medical.

Avon said yesterday that contracts had been signed for the sale of the Stirchley business and it was hoped to complete the deal by May. Negotiations were also going on to sell the U.S. subsidiary, which contributed £200,000 of the division's loss.

Avon Medicals is engaged in the manufacture of sterile disposable plastic equipment used in hospitals for such purposes as blood transfusions and cardiovascular surgery.

PENTOS SELLS BOOK AND PRINT OFFSHOOT

PENTOS, the industrial holding company, has sold its wholly owned book binding and print finishing subsidiary **FFA** to a consortium of investors led by the management and including ICFC. The sale comes just two years after Pentos acquired the business along with Sisson-Parker, a Nottingham-based bookseller.

Mr. William Hornby, chief executive of Pentos Bookselling, said yesterday that the business was sold for around £200,000, roughly equivalent to the net asset value of FFA shown in its balance sheet as at December 31. FFA was sold because Pentos found that the manufacture of exercise books was not profitable and had earlier closed down the school supplies division of Sisson and Parker, the company with which FFA had been associated, he said.

FFA's buyers have paid £150,000 down and will pay the remaining £50,000 on deferred terms. The idea of selling the subsidiary was first proposed by Pentos last February.

FFA last year made a pre-tax profit of £25,000 on turnover of around £0.5m.

Less than 50% accept AAH offer for Renwick

AAH, the fuel distribution and road haulage group which last October bid an agreed £5.8m for Renwick, the motor cruiser manufacturer, is this morning to announce a level of acceptances "substantially under 50 per cent." Mr. William Pybus, chairman of AAH, said last night that an announcement would be made now that yesterday's closing deadline had passed.

Confusion has surrounded AAH's bid for Renwick in the wake of recent purchases of Renwick shares by a Swiss banking group and a Hong Kong company. Kangra International Holdings, a company incorporated in Hong Kong, yesterday purchased 325,000 Renwick ordinary shares at 85p, increasing its fully diluted holding to nearly 15 per cent. This is 20p above the value placed on Renwick shares in the AAH bid.

Mr. Kenneth Holmes, chief executive of Renwick, said yesterday: "All we know of Kangra is that it has been a shell company which has not been in existence very long."

The Uto Bank of Zurich has also bought Renwick shares, according to Mr. Pybus. Uto purchased 22.5 per cent on behalf of six clients and is thought to have purchased an additional 2per cent on its own behalf.

AAH can now extend its offer

CIC dealings stopped

CIC INVESTMENT HOLDINGS, an investment vehicle which has a 20 per cent stake in Cambridge Instruments, yesterday asked the Stock Exchange not to permit further dealings in its shares under rule 163 (2). The request came because of discussions which could lead to an offer for the whole of the issued share capital of CIC.

Mr. Christopher Bostock, chairman of CIC, said yesterday that if the discussions were successful then a bid offer would be announced "somewhere between one and three weeks."

Royal Insurance new business increases

A 4 PER CENT improvement in new annual premiums from £25m to £25.9m and a 7 per cent rise in single premiums from £20.5m to £21.9m is reported by **Royal Insurance** on its worldwide life and pensions business. Around 90 per cent of its life and pensions business arises in the UK.

The company's group pension business in the UK moved ahead last year with new annual premiums improving by over 10 per cent from £7.1m to £7.9m and single premiums by nearly 50 per cent from £3m to £4.4m.

Sales of individual pension arrangements for directors and executives were below the high level of sales achieved in 1979, but there was a small increase in self-employed pension sales. New annual premiums on the combined sales showed a decline from £6.4m to £5.9m, while single premiums remained unchanged at £3m.

New annual premiums in life business remained virtually unchanged at around £12m. The reduction in business associated with house purchase was offset by a substantial rise in with profit endowment and whole life contracts—the company's new 10-year savings plan SuperTen doing well.

Sales of immediate annuities declined slightly in 1980, but the company recorded another success in its single premium school fees plan launched late last year

A 41 per cent rise in new annual premiums and a 64 per cent increase in single premium business is reported for 1980 by **Albany Life Assurance**, a member of the American General Assurance Group.

New annual premiums amounted to £6.04m against £4.28m in 1979, with self-employed premiums up by 44 per cent from £1m to £1.44m and controlling directors pension scheme premiums up by nearly 30 per cent from £1.26m to £1.63m.

Premiums on the executive plus life plan rose by 65 per cent from £1.13m to £1.87m, while the remaining growth came from sales of ordinary regular premium plans.

New single premiums amounted to £44.01m against £26.8m in 1979. But much of this increase came from the sale of high yield income bonds in the first quarter of the year. The company sold £18m before the Budget put a stop to such schemes. Investment in the company's private portfolio bonds trapled from around £3m in 1979 to £9m last year.

The total funds under management doubled over last year from £44m to £88m. During the year about £17m of new money was invested in the various linked funds of the company, of which nearly three-quarters was put into the UK fixed interest fund.

Over 60 per cent of the company's business came from insurance brokers and other intermediaries, the remainder from the company's direct sales operation.

Continued growth in new life and pensions business is reported for 1980 by the **London Life Association**, one of the very few life companies that does not pay commission to intermediaries. New annual premiums improved by nearly 25 per cent from £5.97m to £7.44m and single premiums by 29 per cent from £3.3m to £4.26m.

Although these increases are below those for 1979, when annual premiums rose 29 per cent and single premiums 40 per cent, it represents a good performance in a year that, from other life company results, appears dull.

New annual premiums on ordinary business improved by 12 per cent from £2.68m to £3.01m, with a modest increase in with-profits savings contracts and a 30 per cent rise in self-employed pension plans. New pension annual premiums advanced by one-third

Redman Heenan warns of poor result in current year

FURTHER to his warning of lower first half results, Mr. A. Murray, chairman of Redman Heenan International now says it seems unlikely that demand will recover sufficiently in time for the position to be restored by the year-end.

This is despite vigorous measures to control expenditure and to adjust capacity downwards, Mr. Murray says in his annual report.

However, export efforts are being intensified, particularly in the U.S., Germany, Middle East and South Africa and the medium and longer term prospects are encouraging.

As reported on December 19, pre-tax profits for the year ended September 30, 1980, were down from £3.41m to £2.85m on turnover of £42.11m against £45.54m. With tax absorbing £173,000 (£785,000) mainly because of allowances for increased capital expenditure during the year, net profits increased to £2.67m from £2.64m.

CCA profits before tax are reduced to £1.69m (£2.52m) after adjustments for cost of sales, £953,000 (£578,000), monetary working capital, £39,000 (£13,000), additional depreciation, £381,000 (£410,000) and gearing, £142,000 (£92,000).

Apart from the effects of the reduced order book levels on output, the result for the year was affected by pressure on margins, reduced profitability on export business, reorganisation costs incurred in adjusting to lower levels of activity and an industrial dispute at Redman Fisher in the aftermath of the national engineering strike, offset by some success in the closure of previously outstanding contractual positions.

Meanwhile, the balance-sheet was strengthened with net current assets increasing by £1.9m and fixed assets investment by £2.3m. As investment in working capital held steady, internally generated funds proved sufficient to finance the capital expenditure programme.

The disposal of the investment in Wellman Engineering enabled bank borrowings to be repaid and cash in hand to amount to £1.1m at the year-end. Net assets per ordinary share amounted to 91.2p (79.8p).

Capital investment increased during the year by 32.2 per cent to £4.1m compared with £3.1m a year earlier, with the completion of the new Heenan Drives' factory on the Blackpole industrial estate near Worcester, the acquisition of 100,000 sq ft of premises for the expansion of Froude Engineering alongside its existing factory at Gregory's Bank in Worcester, and £2m expenditure on new plant and machinery.

Meeting, Connaught Rooms, WC, January 28 at noon.

Sterling Credit continues pruning with £2.3m sale

STERLING CREDIT, the financial services group, is continuing its pruning and reconstruction operations with the sale of part of its consumer credit business.

In October, the group announced a rescue package of new capital which brought short-term debt down from £5.1m to £2.7m. Yesterday it announced that it had sold its motor-related consumer credit business to North West Securities, a subsidiary of the Bank of Scotland, for £2.3m. The price represents a discount of about 10 per cent on the book value of underlying assets sold.

Bank debt now stands at £834,000 compared with pro forma shareholders' funds post the October rescue said to be of the order of £3.7m.

Mr. Nicholas Oppenheim, the managing director, confirmed yesterday that the latest deal had brought the group to a position where it "probably could commence lending again if we wanted to." However, further pruning would still continue. The group intended to concentrate on secured and unsecured personal lending for its consumer credit division. This type of business was seen as being less competitive, and easier to administrate than motor credit business.

Accounts for the nine-month period to December, expected to be published in March, are likely to show that "substantial losses will have been incurred," shareholders are warned. These accounts will also be accompanied by the report by Peat Marwick Mitchell on working capital position now being prepared.

M. Brown sees at least same performance

UNLESS THERE is further deterioration in the public's ability to buy its products, Matthew Brown and Company, brewer, does not anticipate doing less well in the coming year and will require only a little help from the weather and a modest upturn in the general economic climate to do better, says Mr. Patrick Townsend, the chairman.

As already known, pre-tax profits for the year ended September 27, 1980, fell from £4.13m to £4.05m, on higher turnover of £25.61m (£22.88m). The dividend, however, is being raised to 5.685p (5.0764p) net.

During the current year, the board intends to review the valuation of the company's estate of licensed houses, in order to reflect more realistically the asset backing of shareholders' funds.

OIL AND GAS NEWS

Traces of oil at Woodada 3

BY STEPHEN THOMPSON

TRACES OF OIL have been encountered at the Woodada No. 3 well being drilled in the Perth Basin of Western Australia according to Strata Oil.

Strata, which has a 26.95 per cent interest in the Woodada field, moved up strongly to close 20p higher at a peak 202p in London yesterday. Last week Strata reported a "very strong gas show" in the well.

Woodada 3 is the third well drilled on EP 100 in the Perth Basin. The first, the original Woodada discovery well, and the second well flowed natural gas at rates excess of 32m cubic feet a day following acid stimulation.

In the latest weekly progress report Strata says the traces were recovered in heavily gas cut mud and that progress for the week was 15 metres with part of the 12 metres of core cut containing a fracture bleeding light oil.

A drill stem test was attempted but this failed when the testing tool became clogged with cuttings.

Further technical difficulties have also been encountered. The drill pipe is at present stuck and further drilling and casing cannot proceed until it is freed. Woodada 3 has a target depth of 2,397 metres (7,796 feet) and is located 4km north of Woodada 1.

Hughes and Hughes of Texas, operator of the Woodada field, own 65 per cent of the discovery, the UK-registered Hampton Trust has 3.5 per cent and Australia's Mincorp holds 1 per cent, with the remaining 3.55 per cent held by various individuals and companies.

Respective holdings of 25 per cent and 16.8 per cent in Strata are held by North West Mining and Haoma Gold.

EUROPEAN OPTIONS EXCHANGE

Series		Jan. Vol.	Jan. Last	April Vol.	April Last	July Vol.	July Last	Stock
ABN C	F.300	8	0.70	4	8	—	—	F.282
AKZO C	F.17.50	10	0.60	7	1.70	10	2.20 B	F.17.50
AKZO P	F.20	—	—	101	2.50	—	—	F.17.50
AMRO C	F.55	—	—	1	5.50	—	—	F.58.20
AMRO C	F.60	2	1 A	3	2.80	—	—	"
KODA C	$70	5	2½	2	6⅛	—	—	$71⅝
HEIN C	F.50	13	2.90	9	5.20 B	—	—	F.52.50
HEIN C	F.55	—	—	13	2.70	—	—	"
HEIN P	F.50	—	—	—	—	12	2.80 A	"
HEIN P	F.55	1	3.50 A	—	—	—	—	"
HOOG C	F.12.50	—	—	1	2.20	—	—	F.14.20
IBM C	$60	20	9⅝	—	—	—	—	$69⅜
IBM C	$65	16	4⅞	—	—	—	—	"
IBM C	$70	3	1½	12	4⅞	—	—	"
IBM C	$75	—	—	10	2⅜	14	5	"
IBM P	$65	—	—	12	1⅞	—	—	"
IBM P	$70	6	1¾	—	—	—	—	"
OLIE C	F.160	5	49.40A	—	—	—	—	F.208.50
OLIE C	F.170	11	40	—	—	—	—	"
OLIE C	F.180	12	30	1	35	—	—	"
OLIE C	F.190	—	—	2	27	1	31	"
OLIE C	F.200	71	10.80	23	19.50	—	—	"
OLIE C	F.220	211	1.40	71	11.50	29	13.50	"
OLIE C	F.240	20	0.20	96	5.50	12	8.20B	"
OLIE P	F.180	50	0.10	20	1.50	—	—	"
OLIE P	F.190	166	0.20	15	3	—	—	"
OLIE P	F.200	140	1	41	6.60	3	11.50	"
OLIE P	F.220	40	12.40	24	15.70	—	—	"
OLIE P	F.240	7	32	2	33.50	—	—	"
UNIL C	F.130	—	—	—	—	1	5	F.125
UNIL P	F.120	3	0.50	—	—	—	—	"
KLM C	F.60	8	0.50	8	3.50	—	—	F.57
KLM C	F.70	—	—	4	1.30	—	—	"
KLM P	F.55	20	0.50	—	—	—	—	"
KLM P	F.60	12	3.40	30	6.50	—	—	"
KLM P	F.70	35	13.70	9	15.10	—	—	"
NAT C	F.100	2	19.50	—	—	—	—	F.119.20
NATN C	F.120	8	1.10	1	4.80	—	—	"
PETR C	Fr.5000	1	200	—	—	—	—	Fr.5090
PHIL C	F.15	16	0.80	35	1.70	20	1.90	F.15.50
PHIL C	F.17.50	—	—	325	0.60	100	0.90	"
PHIL P	F.17.50	30	2	—	—	—	—	"
		Feb.		May		Aug.		
BOEI C	$35	5	8¾	—	—	—	—	$43½
BOEI C	$40	6	4¾	—	—	—	—	"
SLUM C	$120	5	7	—	—	—	—	$117
SLUM C	$130	—	—	1	8¼	—	—	"

TOTAL VOLUME IN CONTRACTS 2051

A=Asked B=Bid C=Call P=Put

SPAIN

January 3	Price %	+ or −
Banco Bilbao	253	+2
Banco Central	284	+4
Banco Exterior	279	—
Banco Hispano	239	+4
Banco Ind. Cat.	120	—
Banco Madrid	141	—
Banco Santander	290	+6
Banco Urquijo	151	+3
Banco Vizcaya	260	+3
Banco Zaragoza	204	—
Dragados	82	—
Espanola Zinc	47	—
Fecsa	57.5	−2
Gal. Preciados	24	+2
Hidrola	71	—
Iberduero	56.5	−3
Petroleos	82	+5
Petroliber	75	—
Sogefisa	102	—
Telefonica	62	+1
Union Elect.	61	−5

Business and Investment Opportunities

READERS ARE RECOMMENDED TO TAKE APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

Messina looks for boost from industrial interests

BY GEORGE MILLING-STANLEY

ANOTHER GOOD year is expected by Messina (Transvaal), the South African copper mining and industrial group which also controls the MTD (Mangula) copper mining operation in Zimbabwe.

The group's South African industrial interests, which include the Datsun-Nissan vehicle franchise, should continue to contribute significantly to earnings, according to Commander H. F. P. Grenfell, the chairman.

He warned, however, that the group has almost exhausted the tax advantages arising from losses incurred in previous years. These reductions in tax charges helped the group to a net profit of R22m (£12m) (£12.4m) in the year to September 30, 1980, compared with R5.5m the previous year.

The dividend total was 45 cents a share, up from 10 cents.

On the subject of copper, Commander Grenfell said the indications are for a probable over-supply position in 1981 and a consequent decline in prices, although investment buying of industrial metals remains possible.

The prolonged strike by copper workers in the U.S. cut that country's output by at least 400,000 tonnes in 1980, he said, leading to a world shortage of around 100,000 tonnes compared with an expected surplus of as much as 250,000 tonnes.

Messina shares closed unchanged at 215p in London last night.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims:—Brown and Tawse, Halma.

Finals:—A. G. Barr, Winterbottom Trust.

FUTURE DATES

Interims:—

Samuel (H) ... Jan. 8

Finals:—

Amatil ... Jan. 7

Lowe (Robert H) ... Jan. 9

Imperial Chemical Industries ... Feb. 25

Tate and Lyle ... Jan. 22

ROUND-UP

Gold production in South Africa fell in November to 1,768,435 troy ounces, according to the Chamber of Mines. The cumulative total for the first 11 months of the year is now 19,974,596 oz, compared with 20,794,262 oz in the same period of 1979.

* * *

The U.S. Coal Association, an industry lobbying group, predicts a 2.3 per cent increase in U.S. coal production to 766m tonnes during 1981. High stocks of coal held by American consumers, such as electrical utilities, and the continued inadequacy of port facilities, which will limit exports, are given as the main factors behind the comparatively small increase.

U.S. coal production in 1980 rose by 6.3 per cent over the previous year, spurred by higher oil prices.

* * *

Zambia's state-owned copper and cobalt producing Nchanga Consolidated Copper Mines is considering the release of blocked dividends to residents of Zimbabwe, in view of that country's recent independence.

Shareholders in the former Rhokana Corporation, Bancroft Mines, Zambia Broken Hill Development and NCCM should write to the company secretary of the last-named at P.O. Box 30048, Lusaka, Zambia, giving details of their investments and the numbers and amounts of outstanding dividends.

* * *

The recent R79.9m (£45m) rights issue of convertible preference shares by South Africa's Trans-Natal Coal Corporation was subscribed as to 97.78 per cent. General Mining Union Corporation, which owns 42.2 per cent of Trans-Natal and underwrote the offer, will take up the remaining 2.22 per cent in addition to its own entitlement. The funds will be used to finance a major expansion programme.

Benguet sees fall

AFTER ONE of the best years in its almost 80-year history, Benguet Consolidated, the leading gold producer in the Philippines, is expecting a slight downturn in 1981.

Mr. Jaime Ongpin, president and chief executive, said that net profits in 1981 would be between U.S.$30.5m and $31.8m at current conversion rates for the peso. Profits for 1980 should emerge between $33.1m and $34.4m, he added.

Early in the year, Mr. Ongpin had estimated 1980 earnings at just under $23.8m. This figure was surpassed by the end of the first nine months, when profits had reached $30m, around three times the 1979 level.

The sharp increase in 1980 stemmed from soaring metals prices, especially for gold, and the opening of the large Dizon gold and copper mine in Zambales province, northwest of Manila. The new mine pushed 1980 first quarter profits past the figure for the whole of 1979.

One reason for the expected fall in profits in 1981 is that Dizon, named after the company which holds the claim, has been suffering from equipment problems. These have cut production recently, but Mr. Ongpin said that he expects the difficulties to be resolved soon.

Benguet is faced with *another, potentially more* serious, problem. A company called Bayanihan Mineral Development, whose chairman is a brother of the Philippines President Ferdinand Marcos, has challenged Dizon's claim to the mine.

LONDON TRADED OPTIONS

Jan. 5 Total contracts 449

Option	Ex'rcise price	Jan. Closing offer	Jan. Vol.	April Closing offer	April Vol.	July Closing offer	July Vol.	Equity close
BP	360	56	20	70	—	—	—	412p
BP	390	30	20	48	20	—	—	"
BP	420	10	11	28	20	48	—	"
Com. Union	140	8	—	11	2	17	—	140p
Courtaulds	50	7	35	12	25	14	—	55p
Courtaulds	60	1½	3	5	50	8	1	"
GEC	600	25	15	70	22	97	5	615p
GEC	650	3	7	42	10	73	1	"
Grand Met.	160	3	—	11½	10	20	—	154p
ICI	350	7	37	24	—	36	—	322p
ICI	360	½	—	13	1	22	—	"
Land Sec.	390	4	—	23	3	33	—	374p
Marks & Sp.	90	29	1	35	—	—	—	118p
Marks & Sp.	100	19	10	25½	2	28	—	"
Marks & Sp.	110	9	36	17	2	20	—	"
Marks & Sp.	120	2½	—	58	—	14½	—	"
Shell	460	13	—	26	1	44	—	458p
Shell	500	2	5	17	9	28	—	"
Shell	550	1	2	8	7	16	—	"
Totals			212		184		7	
		February		May		August		
Imperial Gp.	70	6½	20	7½	—	10½	—	73p
Lasmo	750	52	—	94	4	130	—	727p
Lasmo	800	28	4	72	—	107	—	"
Lonrho	90	—	—	17	—	22	5	96p
Lonrho	100	—	—	10	7	15	—	"
Lonrho	104	4	2	—	—	—	—	"
Lonrho	110	—	—	5½	—	9	6	"
Totals			26		11		9	

WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on January 5, 1981. In some cases rates are nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviation: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling/dollar rates; (S) member of the sterling area other than Scheduled Territories; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rates; (exC) exchange certificate rate; (k) Scheduled Territory; (nc) non-commercial rate; (nom) nominal; (o) official rate; (sg) selling rate.

PLACE	LOCAL UNIT	VALUE OF £ STERLING
Afghanistan	Afghani	105.00
Albania	Lek	10.16
Algeria	Dinar	9.2095
Andorra	French Franc	10.84
	Spanish Peseta	190.40
Angola	Kwanza	70.3505
Antigua (S)	E. Caribbean $	6.50
Argentina	Ar. Peso Free Rate	4,792.0
Australia (S)	Australian $	2.0350
Austria	Schilling	33.165
Azores	Portugu'se Escudo	127.95
Bahamas (S)	Ba. Dollar	2.4165
Bahrain (S)	Dinar	0.903
Balearic Isles	Spa. Peseta	190.40
Bangladesh (S)	Taka	38.70
Barbados (S)	Babados $††	4.8330
Belgium	B. Franc	(cm) 75.42
		(fn) 75.75
Belize	B $	4.8330
Benin	C.F.A. Franc	542.0
Bermuda (S)	Bda $	2.4165
Bhutan	Indian Rupee	18.78
Bolivia	Bolivian Peso	60.07
Botswana (S)	Pula	1.7800
Brazil	Cruzeiro ‡‡	156.93
Brit. Virgin Isles (S)	U.S. $	2.4165
Brunei (S)	Brunei $	5.0310
Bulgaria	Lev	2.0826
Burma	Kyat	16.15
Burundi	Burundi Franc	213.855
Cameroon Republic	C.F.A. Franc	542.0
Canada	Canadian $	2.8710
Canary Islands	Spanish Peseta	190.40
Cape Verde Isle.	Cape V. Escudo	87.75
Cayman Islands (S)	Cay. Is. $	2.01375
Cent. Af. Repub.	C.F.A. Franc	542.0
Chad	C.F.A. Franc	542.0
Chile	C. Peso	(Bk) 93.69
China	Renminbi Yuan	3.6442
Colombia	C. Peso	(F) 122.33
Comoro Islands	C.F.A. Franc	542.0
Congo (Brazzaville)	C.F.A. Franc	542.0
Costa Rica	Colon	20.80
Cuba	Cuban Peso	1.6830
Cyprus (S)	Cyprus £	0.868
Czechoslovakia	Koruna	(com) 13.30
		(n.c) 23.15
		(T) 22.58
Denmark	Danish Krone	14.455
Djibouti	Fr.	422 (sg)
Dominica (S)	E. Caribbean $	6.50
Dominican Repub.	Dominican Peso	2.4165
Ecuador	Sucre	(O) 60.24
		(F) 67.75
Egypt	Egyptian £	(U) 1.69
Equatorial Guinea	Ekuele	380.8
Ethiopia	Ethiopian Birr	(P) 4.8750
Falkland Islands (S)	Falkland Is. £	1.0
Faroe Islands	Danish Krone	14.455
Fiji Islands	Fiji $	1.9040
Finland	Markka	9.2675
France	French Franc	10.84
French C'tyin Af*	C.F.A. Franc	542.0
French Guiana	Local Franc	10.84
French Pacific Is.	C.F.P. Franc	192 (sg)
Gabon	C.F.A. Franc	542.0
Gambia (S)	Dalasi	4.0
Germany (East)	Ostmark	4.685
Germany (West)	Deutsche Mark	4.685
Ghana (S)	Cedi	6.55
Gibraltar (K)	Gibraltar £	1.0
Greece	Drachma	110.7655
Greenland	Danish Kroner	14.455
Grenada (S)	E. Caribbean $	6.50
Guadaloupe	Local Franc	10.84
Guam	U.S. $	2.4165
Guatemala	Quetzal	2.4165
Guinea Republic	Syli	46.45
Guinea Bissau	Peso	82.80
Guyana (S)	Guyanese $	6.16
Haiti	Gourd	12.08
Honduras Repub.	Lempira	4.82
Hong Kong (S)	H.K. $	12.3910
Hungary	Forint	(com) 77.1745
		(Tnc) 57.8085
Iceland (S)	I. Krona	14.9115(§)
India (S)	Ind. Rupee	18.78
Indonesia	Rupiah	1,510.50
Iran	Rial	172.05 (sg)
Iraq	Iraq Dinar	0.7049
Irish Republic (k)	Irish £	1.2600
Israel	Shekel	18.53
Italy	Lira	2,231.0
Ivory Coast	C.F.A. Franc	542.0
Jamaica (S)	Jamaica Dollar	4.3098
Japan	Yen	481.5
Jordan (S)	Jorda. Dinar	0.723 (sg)
Kampuchea	Riel	2,899.8
Kenya (S)	Kenya Shilling	18.03
Kiribati	Australian $	2.0350
Korea (Nth)	Won	2.11(ll)
Korea (Sth)	Won	1,675.85
Kuwait	Kuwait Dinar	0.650
Laos	New Kip	24.03
Lebanon	Lebanese £	8.7610
Lesotho	Loti	1.7960
Liberia	Liberian $	2.4165
Libya	Libyan Dinar	0.7155
Liechtenstein	Swiss Franc	4.2425
Luxembourg	Lux Franc	75.24
Macao	Pataca	12.75
Madeira	Portug'se Escudo	127.95
Malagasy Republic	MG Franc	542.0
Malawi (S)	Kwacha	1.9650
Malaysia (S)	Ringgit	5.3440
Maldive Islands (S)	Mal Rupee	9.4435
Mali Republic	Mali Franc	1,084.0
Malta (S)	Maltese £	0.848
Martinique	Local Franc	10.84
Mauritania	Ouguiya	109.10
Mauritius (S)	M. Rupee	18.80
Mexico	Mexican Peso	55.67
Miquelon	C.F.A. Franc	542.0
Monaco	French Franc	10.84
Mongolia	Tugrik	(o) 7.02(ll)
Montserrat	E. Caribbean $	6.50
Morocco	Dirham	10.15
Mozambique	Metica	69.55
Nauru	Australian Dollar	2.0350
Nepal	Nepalese Rupee	28.85
Netherlands	Guilder	5.09
Netherland Antilles	Antillian Guilder	4.3255
New Hebrides	See VANUATU	
New Zealand (S)	N. Z. Dollar	2.4985
Nicaragua	Cordoba	24.025
Niger Republic	C. F. A. Franc	542.0
Nigeria (S)	Naira	1.267479 (sg)
Norway	Norway Krone	12.4125
Oman Sul'ate of (S)	Rial Omani	0.828
Pakistan	Pakistan Rupee	23.75
Panama	Balboa	2.4165
Papua N.Guinea (S)	Kina	1.5500
Paraguay	Guarani	302.71
Peru	Sol	exc (A) 818.89
Philippines	Philippine Peso	17.86
Pitcairn Islands (S)	£ Sterling	—
	New Zealand $	2.4985
Poland	Zloty	(Cm) 74.23
		(T) 74.23
Portugal	Portugu'se Escudo	127.95
Puerto Rico	U.S. $	2.4165
Qatar (S)	Qatar Ryal	8.72
Reunion Ile de la	French Franc	10.84
Romania	Leu	(Cm) 10.70
		(n.c) T23.72
Rwanda	Rwanda Franc	216.92
St. Christopher (S)	E. Caribbean $	6.50
St. Helena	St. Helena £	1.0
St. Lucia	E. Caribbean $	6.50
St. Pierre	Local Franc	10.84
St. Vincent (S)	E. Caribbean $	6.50
Salvador El	Colon	6.00
Samoa American	U.S. $	2.4165
San Marino	Italian Lira	2,231.0
Sao Tome & Principe	Dobra	85.15
Saudi Arabia	Ryal	7.98
Senegal	C.F.A. Franc	542.0
Seychelles	S. Rupee	15.40 (SG)
Sierra Leone (S)	Leone	2.5558
Singapore (S)	Singapore $	5.0310
Solomon Islands (S)	Solomon Is. $	1.9140
Somali Republic	Somali Shilling	(A) 14.45
South Africa (S)	Rand	1.7960
South West African Territories (S)	S. A. Rand	1.7960
Spain	Peseta	190.40
Spanish ports in North Africa	Peseta	190.40
Sri Lanka (S)	S. L. Rupee	43.00
Sudan Republic	Sudan £ (1)	1.21
Sudan Republic	Sudan £ (2)	1.93
Surinam	S. Guilder	4.3255
Swaziland (S)	Lilangeni	1.7960
Sweden	S. Krona	10.5175
Switzerland	Swiss Franc	4.2425
Syria	Syria £	(A) 9.45
Taiwan	New Taiwan $	87.00
Tanzania (S)	Tan. Shilling	19.40
Thailand	Baht	49.36
Togo Republic	C.F.A. Franc	542.0
Tonga Islands (S)	Pa'anga	2.0350
Trinidad (S)	Trinidad & Tob. $	5.7996
Tunisia	Tunisian Dinar	0.982 (SG)
Turkey	Turkish Lira	210.12
Turks & Caicos	U.S. $	2.4165
Tuvalu	Australian $	2.0350
Uganda (S)	Uganda Shilling	18.03
United States	U.S. Dollar	2.4165
Uruguay	Uruguay Peso	(cm) 23.92
		(fn) 22.72
Utd. Arab Emirates	U.A.E. Dirham	8.80
U.S.S.R.	Rouble	1.5915
Upper Volta	C.F.A. Franc	542.0
Vanuatu	Franc	170 (SG)
	Aust. Dollar	2.0350
Vatican	Italian Lire	2,231.0
Venezuela	Bolivar	10.31
Vietnam	Dong	(O) 5.2385
		(T) 5.16(ll)
Virgin Islands U.S.	U.S. Dollar	2.4165
Western Samoa (S)	Samoan Tala	2.2160
Yemen (Nth)	Ryal	10.85 (SG)
Yemen (Sth)	S. Yemen Dinar	(A) 0.8250
Yugoslavia	New Y Dinar	69.8886
Zaire Republic	Zaire	7.263398
Zambia	Kwacha	1.9150
Zimbabwe	Zimbabwe $	1.5110

*That part of the French community in Africa formerly French West Africa or French Equatorial Africa. † Rupees per pound. ‡ General rates of oil and iron exports 101.50. ** Rate is the transfer market (controlled). †† Rate is now based on 2 Barbados $ to the dollar. ‡‡ Now one official rate. (U) Unified rate. Applicable on all transactions except countries having a bilateral agreement with Egypt, and who are not members of IMF. (ll) Based on gross rates against Russian rouble. (1) Official rates for government transactions and specified exports and imports. (2) Parallel rate for non-government transactions and non-specified exports and imports. § One new Krona = 100 old Kronur.

CURRENCIES, MONEY and GOLD

Dollar weak

Dollar was sharply weaker on the first full day after the Christmas break, with lower U.S. interest rates seen as the main market factor. Morgan Guaranty Trust lowered its prime rate to 20 per cent from 21½ per cent followed by other banks. News of fall in U.S. money supply figures was also an undermining factor, and these two added to a lower trend in Euro-dollar rates ensured an easier trend in the U.S. currency.

Sterling was firm, reflecting in part the narrowing of differentials between U.S. and UK interest rates. Recent predictions of a continued rise in the number of unemployed in the UK were largely ignored, with commercial demand for the pound as a petrocurrency ensuring a firm undertone.

European currencies improved against the dollar, but showed little change within the European Monetary System. The Dutch guilder edged above the French franc to become the most improved currency within the system, while the Italian lira lost more ground and remained the weakest currency.

DOLLAR — trade weighted index (Bank of England calculation) fell from 86.5 to 85.3. The U.S. currency was sharply weaker, closing at DM 1.9385 against DM 1.9750 and SwFr 1.7560 from SwFr 1.7925. In *terms of the yen it finished at* Y199.25, its lowest level since February 1979 and well down from last Friday's level of Y202.50. Euro-dollar rates fell sharply with the one-month rate quoted at 18½ per cent against 20½ per cent and three-month at 17¼ per cent against 17$\frac{15}{16}$ per cent.

STERLING — trade weighted index (Bank of England) rose to 78.8 from 78.6, having stood at 78.8 at noon and 78.7 in the morning. The pound was much firmer against the dollar but lost ground against European currencies. In dollar terms it closed at $2.4160-2.4170, a rise of 3.5c, after opening at $2.3900 and touching a high of $2.4200.

D-MARK — Remaining weak near the bottom of the European Monetary System, reflecting Germany's poor balance of payments position. Fears of a Soviet invasion of Poland and high U.S. interest rates also caused problems for the German currency. More recently, however, conditions in central Europe have stabilised and U.S. interest rates now appear to be on a downward course—The D-mark was mostly firmer at yesterday's fixing in Frankfurt, with the market influenced mainly by a continued easier trend in U.S. interest rates. The dollar was fixed at DM 1.9570 compared with DM 1.9763 previously, and the Bundesbank did not intervene. Sterling was firmer, however, rising to DM 4.7010 from DM 4.7000. Within the EMS the Dutch guilder slipped to DM 92.035 from DM 92.06 per Fl 100, and the Belgian franc was lower at DM 6.202 per BFr 100 against DM 6.210. On the other hand the French franc showed a marginal gain at DM 43.175 per FFr, compared with DM 43.17, while outside the EMS, the Swiss franc slipped to DM 1.1056 from DM 1.1067.

JAPANESE YEN—Very firm recently, despite high U.S. interest rates, and reflecting Japan's strengthening economic performance—The yen rose sharply against the dollar in Tokyo yesterday, despite strong attempts by the Bank of Japan to stem the rise. The dollar closed at Y201.40 compared with Y203.60 on December 31, and Y202.50 in New York on Friday. Demand for the yen remained throughout the day.

THE POUND SPOT AND FORWARD

Jan. 5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.3900-2.4200	2.4160-2.4170	0.85-0.95c dis	−4.47	1.70-1.80dis	−2.90
Canada	2.8500-2.8725	2.8700-2.8720	0.90-1.10c dis	−4.18	1.85-2.05dis	−2.72
Nethlnd.	5.07½-5.12½	5.08½-5.09½	2¼-1¼c pm	6.30	6¼-5¼ pm	4.52
Belgium	75.00-75.70	75.37-75.47	23-13c pm	2.86	40-30 pm	1.88
Denmark	14.36-14.46	14.45-14.46	2¼ore pm-¼ dis	0.73	par-2½ dis	−0.35
Ireland	1.2585-1.2640	1.2595-1.2605	0.35-0.14p pm	2.33	0.57-0.36 pm	1.46
W. Ger.	4.66-4.71	4.68-4.69	2¼-1¼pf pm	5.76	6¼-5¼ pm	4.91
Portugal	126.75-128.60	127.70-128.20	10c pm-65 dis	−2.58	10pm-150dis	−2.19
Spain	190.25-191.40	190.25-190.55	60c pm-25 dis	1.10	75-170 dis	−2.57
Italy	2,225-2,233	2,230-2,232	3-5 lira dis	−2.42	17-20 dis	−3.32
Norway	12.35-12.42	12.40¼-12.41¼	3½-1¼ore pm	2.48	10½-8 pm	2.96
France	10.83-10.89	10.83½-10.84½	3¼-2¼c pm	3.60	6¼-5¼ pm	2.31
Sweden	10.46-10.52½	10.51-10.52½	2½-4¼ore dis	−3.99	7½-8½ dis	−3.07
Japan	475-486	480½-482½	2.85-2.40y pm	6.54	6.90-6.20 pm	5.44
Austria	33.10-33.40	33.14-33.19	9-4gro pm	2.35	28-20 pm	2.89
Switz.	4.22½-4.25½	4.23½-4.24½	4-3c pm	9.90	9½-8½ pm	8.37

Belgian rate is for convertible francs. Financial franc 75.70-75.80. Six-month forward dollar 1.70-1.85c dis, 12-month 1.70-1.90c dis.

THE DOLLAR SPOT AND FORWARD

Jan. 5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.3900-2.4200	2.4160-2.4170	0.85-0.95c dis	−4.47	1.70-1.80dis	−2.90
Ireland†	1.8960-1.9075	1.9025-1.9075	1.00-1.20c dis	−6.93	2.00-2.20dis	−4.41
Canada	1.1880-1.1914	1.1880-1.1883	0.17-0.12c pm	1.46	0.20-0.15 pm	0.58
Nethlnd.	2.1080-2.1285	2.1170-2.1185	2.00-1.90c pm	11.06	4.45-4.35 pm	8.31
Belgium	31.20-31.55	31.20-31.22	22½-20c pm	8.13	42-32 pm	5.17
Denmark	5.9900-6.0155	5.9960-5.9985	3.40-2.90ore pm	6.30	5.25-4.75 pm	3.33
W. Ger.	1.9350-1.9660	1.9380-1.9390	1.70-1.64pf pm	10.34	3.78-3.72 pm	7.74
Portugal	52.80-53.20	52.85-53.00	25c pm-par	2.83	45 pm-15 dis	1.13
Spain	79.00-79.60	79.00-79.10	45-20c pm	4.91	30 pm-20 dis	0.25
Italy	923.00-929.00	923.00-924.50	2½-1½ lira pm	2.59	½-2 dis	−0.54
Norway	5.1375-5.1590	5.1530-5.1540	3.80-3.30ore pm	8.27	8.90-8.40 pm	6.71
France	4.4825-4.5375	4.4825-4.4875	3.32-3.22c pm	8.70	6.55-6.35 pm	5.71
Sweden	4.3500-4.3830	4.3625-4.3700	0.85-0.50ore pm	1.58	0.30-0.15 pm	0.21
Japan	199.10-200.75	199.20-199.30	2.00-1.85y pm	11.59	4.45-4.25 pm	8.73
Austria	13.72-13.88½	13.72-13.73	9.20-8.60gro pm	7.74	22.25-20.75pm	6.23
Switz.	1.7545-1.7810	1.7555-1.7565	2.29-2.19c pm	15.31	5.27-5.17 pm	11.89

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY MOVEMENTS

Jan. 5	Bank of England Index	Morgan Guaranty Changes%
Sterling	78.8	−26.7
U.S. dollar	85.3	−8.4
Canadian dollar	79.4	−18.6
Austrian schilling	148.4	+21.5
Belgian franc	111.7	+11.8
Danish kroner	102.1	−7.5
Deutsche mark	147.6	+40.5
Swiss franc	189.1	+77.9
Guilder	123.3	+18.1
French franc	97.2	−7.4
Lira	50.4	−53.0
Yen	146.9	+43.8

Based on trade weighted changes from Washington agreement December, 1971 (Bank of England Index=100).

CURRENCY RATES

Jan. 5	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	14	unavail.	0.546658
U.S. $	13	"	1.29951
Canadian $	17.26	"	1.55148
Austria Sch.	6¾	"	18.2191
Belgium F.	12	"	41.5828
Danish K.	11	"	7.88476
D'mark	7½	"	2.56978
Guilder	8	"	2.79004
French Fr.	9½	"	5.95045
Lira	16½	"	1217.64
Yen	7¼	"	285.475
Norwgn. Kr.	9	"	6.74769
Spanish Pts.	8	"	103.733
Swedish Kr.	10	"	5.71589
Swiss Fr.	3	"	2.32352
Greek Dr'ch.	—	"	n.a.

OTHER CURRENCIES

Jan. 5	£	$		£ Note Rates
Argentina Peso	4782-4802	1990-1998	Austria	33.05-33.85
Australia Dollar	2.0330-2.0370	0.8420-0.8425	Belgium	75.48-76.35
Brazil Cruzeiro	156.43-157.43	65.17-65.60	Denmark	14.41-14.51
Finland Markka	9.26-9.27½	3.8290-3.8500	France	10.85-10.95
Greek Drachma	109.168-112.348	45.10-46.20	Germany	4.68½-4.72½
Hong Kong Dollar	12.38-12.408	5.1270-5.1300	Italy	2195-2290
Iran Rial	172.50*	72.50*	Japan	477-483
Kuwait Dinar (KD)	0.647-0.653	0.2709-0.2709	Netherlands	5.09-5.13
Luxembourg Frc.	75.37-75.47	31.20-31.22	Norway	12.37-12.47
Malaysia Dollar	5.3380-5.3500	2.2110-2.2130	Portugal	127-139
New Zealand Dlr.	2.4960-2.5010	1.0336-1.0345	Spain	185¼-195½
Saudi Arab. Riyal	7.95-8.01	3.3300-3.3320	Sweden	10.50-10.60
Singapore Dollar	5.0250-5.0370	2.0815-2.0835	Switzerland	4.23-4.27½
Sth. African Rand	1.7955-1.7965	0.7430-0.7438	United States	2.39-2.41
U.A.E. Dirham	8.77-8.83	3.6710-3.6740	Yugoslavia	78-87½

Rate given for Argentina is free rate. * Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU January 5	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	39.7897	41.3408	+3.90	+1.18	±1.53
Danish Krone	7.72336	7.89666	+2.24	−0.48	±1.64
German D-Mark	2.48208	2.56651	+3.40	+0.68	±1.125
French Franc	5.84700	5.94518	+1.68	−1.04	±1.3557
Dutch Guilder	2.74362	2.78915	+1.66	−1.06	±1.512
Irish Punt	0.668201	0.691022	+3.42	+0.70	±1.668
Italian Lira	1157.79	1220.99	+5.46	+2.87	±4.08

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Jan. 5	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	2.417	4.685	481.5	10.84	4.243	5.090	2231.	2.871	75.42
U.S. Dollar	0.414	1.	1.939	199.3	4.486	1.756	2.106	923.2	1.188	31.21
Deutschemark	0.213	0.516	1.	102.8	2.314	0.906	1.086	476.2	0.613	16.10
Japanese Yen 1,000	2.077	5.019	9.730	1000.	22.51	8.811	10.57	4633.	5.963	156.6
French Franc 10	0.923	2.229	4.322	444.2	10.	3.914	4.696	2058.	2.649	69.58
Swiss Franc	0.236	0.570	1.104	113.5	2.555	1.	1.200	525.9	0.677	17.78
Dutch Guilder	0.196	0.475	0.920	94.60	2.130	0.833	1.	438.3	0.564	14.82
Italian Lira 1,000	0.448	1.083	2.100	215.8	4.859	1.902	2.281	1000.	1.287	33.81
Canadian Dollar	0.348	0.842	1.632	167.7	3.776	1.478	1.773	777.1	1.	26.27
Belgian Franc 100	1.326	3.204	6.212	638.4	14.37	5.625	6.748	2958.	3.807	100.

FT LONDON INTERBANK FIXING (11.00 a.m. JANUARY 5)

3 months U.S. dollars		6 months U.S. dollars	
bid 17 5/8	offer 17 3/4	bid 16 1/2	offer 16 5/8

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates of $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

Jan. 5	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	—	19⅝-19⅞	18-19	8$\frac{3}{16}$-8$\frac{7}{16}$	4½-5	9-9⅛	10½-10¾	13-15	11-11½	6-6½
7 days' notice	13¾-14¼	19½-20	18-19	8¾-8⅞	4-4½	9$\frac{1}{16}$-9$\frac{3}{16}$	5½-7½	13½-15½	11-11½	6⅝-6⅞
Month	14$\frac{5}{16}$-14$\frac{7}{16}$	18⅜-18⅝	17¾-18⅛	9-9½	5¼-5⅜	9⅛-9$\frac{5}{16}$	10⅛-10½	16¾-17¼	12⅛-12⅜	8-8¼
Three months	14½-14⅝	17-17¼	16¾-17⅛	9$\frac{1}{16}$-9$\frac{3}{16}$	5½-5¾	9$\frac{1}{16}$-9$\frac{3}{16}$	11⅛-11½	17¾-18¾	12$\frac{1}{16}$-12$\frac{5}{16}$	8½-8¾
Six months	14¼-14⅜	15⅞-16⅛	14½-14⅞	9$\frac{1}{16}$-9$\frac{3}{16}$	5⅞-6	9⅛-9$\frac{5}{16}$	11⅝-12	18¾-19¼	13-13⅛	8⅜-8⅝
One Year	13$\frac{15}{16}$-14$\frac{1}{16}$	14$\frac{5}{16}$-14$\frac{9}{16}$	13⅝-14	—	5$\frac{1}{16}$-5$\frac{5}{16}$	9⅛-9$\frac{5}{16}$	12½-12⅞	19-20	13-13⅛	8⅜-8⅝

Asian $ (closing rates in Singapore) one-month 19-19¼ per cent; three months 17$\frac{11}{16}$-17$\frac{13}{16}$ per cent; six-months 16⅛-16⅜ per cent; one year 14$\frac{15}{16}$-15$\frac{1}{16}$ per cent. Long-term European two years 14⅝-14⅞ per cent; three years 14-14¼ per cent; four years 13⅞-14⅛ per cent; five years 13¾-14 per cent nominal closing rates. Short-term rates are call for sterling, U.S. dollars, Canadian dollars and Japanese yen; others two days' notice.

The following nominal rates were quoted for London dollar certificates of deposit: one-month 17.75-17.85 per cent; three-months 16.30-16.40 per cent; six-months 15.25-15.35 per cent; one year 14.15-14.35 per cent.

INTERNATIONAL MONEY MARKET

Europe rates ease

European short term interest rates showed an easier trend yesterday, with call money falling to 10⅝ per cent from 10¾ per cent in Paris. In December the average level of day-to-day funds was 10.875 per cent, compared with 10.73 per cent in November. The average for 1980 was 11.84 per cent, the second highest since 1974, illustrating the general firmness of world interest rates, and helping to keep the French franc around the top of the European Monetary System.

In Frankfurt call money was little changed at 9.10 per cent, but period rates continued to ease, in line with the decline in Eurodollar rates. One-month money was quoted at 9.40-9.60 per cent, compared with 9.50-9.60 per cent; while three-month fell to 9.40-9.60 per cent from 9.55-9.65 per cent. Six-month funds eased to 9.50-9.70 per cent from 9.55-9.75 per cent, and 12-month to 9.50-9.70 per cent from 9.55-9.75 per cent.

In Zurich the largest commercial banks—Union Bank of Switzerland, Swiss Bank Corp., and Credit Suisse—lowered interest rates on certain time deposits by as much as ¼ per cent. These are normally adjusted when money market conditions warrant such changes.

In Amsterdam call money rose to 8¾-9 per cent from 8⅝-8⅞ per cent, and one-month to 9-9¼ per cent from 8¾-9 per cent, but longer term rates showed little movement.

MONEY RATES

NEW YORK	
Prime Rate	20-21
Fed. Fund	19-19¼
Treasury Bills (13-week)	13.40
Treasury Bills (26-week)	12.80
GERMANY	
Discount Rate	7.5
Overnight Rate	9.10
One month	9.50
Three months	9.50
Six months	9.60
FRANCE	
Discount Rate	9.5
Overnight Rate	10.625
One month	11.9375
Three months	11.5
Six months	12.25
JAPAN	
Discount Rate	7.25
Call (Unconditional)	9.1875
Bills Discount (three-month)	9.4062

UK MONEY MARKET

Rates fall

Bank of England Minimum Lending Rate 14 per cent (from November 24, 1980)

Short-term interest rates fell in the London money market yesterday, despite the underlying shortage of day-to-day credit, reflecting the cut in banks' reserve asset ratios to 10 per cent from 12½ per cent. In the interbank market three-month money eased to 14$\frac{7}{16}$-14⅝ per cent from 14$\frac{9}{16}$-14$\frac{11}{16}$ per cent, while discount houses buying rates for three-month Treasury bills fell to 12$\frac{31}{32}$ per cent from 13 per cent.

As a move to help the money market through a period of large shortages of credit the authorities announced a reduction in the reserve asset requirement of the banking system, and a cut in the Treasury bill tender, last Friday.

The squeeze on market liquidity will be caused by the seasonal payment of tax, but this was not particularly significant yesterday, with revenue payments to the Exchequer only moderately in excess of Government disbursements.

The market was also faced with a small net take-up of Treasury bills to finance, and the authorities held maturing commercial bills. On the other hand there was a moderate reduction in the note circulation.

Assistance was given by the authorities on a very large scale through purchases of a moderate amount of Treasury bills from the discount houses, plus a small number of local authority bills, and a moderate amount of eligible bank bills.

GOLD

Firmer trend

Gold rose $10 an ounce in the London bullion market yesterday compared with last Wednesday's close, to $598-601. Trading was influenced by a weaker dollar following lower U.S. prime rates. Gold opened at $591-594, and after some light selling early on which saw a low for the metal of $589-592, it recovered as the dollar weakened. There was little initial movement after the entry of New York into the market but demand increased later in the day, and gold finished at its best level. Later in New York it was quoted at $600.

In Paris the 12½ kilo bar was fixed at FFr 91,990 per kilo ($631.96 per ounce) in the afternoon, compared with FFr 91,875 ($629.94) in the morning and FFr 91,000 ($617.93) on Friday afternoon.

	Jan. 5		Jan. 2	
Gold Bullion (fine ounce)				
Close	$598-601	(£247½-248¾)	—	—
Opening	$591-594	(£247-248¼)	—	—
Morning fixing	$592.50	(£246.872)	—	—
Afternoon fixing	$597.50	(£248.080)	—	—
Gold Coins				
Krugerrand	$619-621	(£256¼-257¾)	—	—
1/2 Krugerrand	$314½-319½	(£130¼-132¼)	—	—
1/4 Krugerrand	$158¼-163¼	(£65½-67½)	—	—
1/10 Krugerrand	$64¼-67¼	(£26¾-27¾)	—	—
Mapleleaf	$613-617	(£253¾-255¾)	—	—
New Sovereigns	$152¼-155¼	(£63-63¾)	—	—
King Sovereigns	$173-175	(£71½-72½)	—	—
Victoria Sovs	$173-175	(£71½-72½)	—	—
French 20s	$151-153	(£62½-63½)	—	—
50 pesos Mexico	$744-748	(£308-309¾)	—	—
100 Cor. Austria	$579-583	(£239¾-241½)	—	—
$20 Eagles	$700-704	(£289¾-291½)	—	—

LONDON MONEY RATES

Jan. 5 1981	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	7-14	13-13¼	—	—	13-13½	12-13½	—	—	—
2 days notice	—	—	14¼	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	13¾-14⅛	14⅜	—	14¾	14⅞	13⅛	—	—	—
One month	14$\frac{7}{16}$-14$\frac{5}{16}$	14$\frac{7}{16}$-14⅝	14½	15¼-15⅝	14⅞	14⅝-14⅞	13⅝-13¾	13½	14¼	15
Two months	14$\frac{7}{16}$-14$\frac{5}{16}$	14½-14$\frac{9}{16}$	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	14½-14⅜	14$\frac{7}{16}$-14⅝	14⅝-14½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	14⅛-13⅞	14$\frac{1}{16}$-14$\frac{3}{16}$	14¼	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nine months	13$\frac{7}{16}$-13⅝	13⅞-14⅛	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One Year	13⅝-13½	13¾-13$\frac{15}{16}$	13⅞-14	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two years	—	—	13⅞-14	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Local authority and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rates nominally three years 13⅞-14 per cent; four years 13¾-14 per cent; five years 13¾-14 per cent. ♦ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 14¼ per cent; four-month trade bills 14½ per cent.

Approximate selling rate for one-month Treasury bills 13$\frac{9}{32}$ per cent; two-months 12$\frac{29}{32}$ per cent; three-months 12$\frac{29}{32}$ per cent. Approximate selling rate for one-month bank bills 14¼ per cent; two-months 13¾ per cent and three-months 13¾ per cent; one-month trade bills 14¾ per cent; two-months 14½ per cent; three-months 14¼ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 16 per cent from January 1, 1981. Clearing Bank Deposit Rates for sums at seven days' notice 11½-12 per cent. Clearing Bank Rates for lending 14 per cent. Treasury Bills: Average tender rates of discount 12.9871 per cent.

هكذا من الأصل

INTERNATIONAL COMPANIES and FINANCE

NORTH AMERICAN NEWSPRINT INDUSTRY

New markets sought for increased output

BY ROBERT GIBBENS IN MONTREAL

THE NORTH AMERICAN newsprint industry is set for an expansion of capacity at a time when demand is expected to fall, raising questions of whether it is repeating the mistakes of the past.

Two of Canada's largest producers, MacMillan Bloedel and Consolidated-Bathurst, agree that substantial new capcity is due to come on stream in the next three years, but say that some of it may well be delayed. They believe that slower growth in the North American market will be partly offset by expansion elsewhere, while the basic newsprint product is being improved and sold at premium prices for specialised use by book publishers and for computer papers. These upgraded products are known as groundwood specialties and some older plant in Eastern Canada is being adapted for their production.

However, some analysts contend that planned expansion is running ahead of available markets.

MacMillan Bloedel, Canada's largest forest products company, is based in Vancouver. It is also the nation's largest lumber producer, and has major markets in the U.S., Europe and the Pacific Rim area. Because of the depression in North American housing construction, caused by record high interest rates, lumber prices are in a trough and demand is low. However, lumber is usually the first area of forest products to benefit when interest rates fall.

MacMillan is a large newsprint producer in Canada and the southern U.S., and has a major expansion programme under way in British Columbia.

Mr. Calvert C. Knudsen, the chairman, does not believe that a widely forecast slump in demand for newsprint pulp or linerboard will occur in 1981. He argues newsprint producers in many countries are being hurt badly by spiralling energy costs and steadily rising fibre costs. Paper making capacity is being closed down in Europe because they cannot compete. Increasingly, consumers will be looking to North America, and Canada has a distinct energy cost advantage to help it maintain a competitive position.

> Some doubt has been expressed regarding the outlook for the Canadian paper and newsprint industry in 1981. But, according to senior executives of several major companies, there are a number of factors to inspire confidence

"I don't see any kind of boom for the next six or nine months, but I think we'll maintain fairly stable conditions in the Canadian industry," says Mr. Knudsen.

About seven new newsprint manufacturing units are due on stream in North America in 1981, including one at MacMillan. But he believes there may well be delays in start-ups, and that the impact on supply will be softened by some shutdowns of older plants.

He sees a "continuing good supply-demand relationship." Prices will probably go up again next July, mainly because of energy cost pressures in the U.S. and generous pay settlements in both Canada and the U.S. in 1980.

MacMillan plans to invest C$425m (US$340m) in 1981 in new plant and equipment against C$340m in 1980. Profits will be down in 1980, compared with the 1979 peak, but strongly rising cash flow is forecast for the next four or five years.

Total U.S. consumption of newsprint in 1980 will be about 9.9m metric tons, down about 3 per cent from 1979.

Total Canadian production will be about 8.5m tons, comprising shipments to the U.S., domestic shipments of nearly 1m tons and overseas movements of 1.7m tons.

Capacity operating rates in Canadian mills in 1980 have been down several percentage points from 1979's peak 99 per cent, partly because of market pressures but also because of strikes in the East of Canada. Some analysts argue that because of new capacity due on stream in the U.S. and a sluggish market there, Canadian operating rates will dip below 90 per cent in 1981.

Industry critics think that North American newsprint capacity will rise by about 2.2m tons by the end of 1983, with the greatest impact coming in 1981 and 1982, compared with 1.8m tons from 1976 to 1979. But in the four years ending 1983, the key American market will rise by only 1 per cent or so, against 20 per cent in the previous four years.

The specialty grades for use in publishing and for computer papers fetch C$75 to C$100 a ton more than standard newsprint. They are produced at older upgraded mills in Quebec.

Consolidated - Bathurst will have seven of their older units operating within a year. It argues that producers can get 50 per cent more production from revamping older equipment without any increase in labour. The quality of the sheet is higher: Its capacity to make specialty groundwood grades of newsprint will rise from 200,000 tons yearly now to about 400,000 tons by 1985.

Hunt Brothers in mining deal

By Ian Hargreaves in New York

THE HUNT brothers of Dallas, the silver crisis of last March behind them, have agreed to pay $35m for a stake in a number of mining claims and leases, some involving silver, in North-West Canada.

The seller is Terra Mining and Exploration, which said it had already received $11.5m of the purchase price for the 50 per cent royalty interest. The remainder would be paid during the next two years.

At the same time, Terra has agreed to purchase from Sunshine Mining, a company once controlled by the Hunts, Sunshine's share of a joint venture with Terra, also in the North-west Territories of Canada.

Among the Terra properties which the Hunts are buying into is a silver mine at Camsell River in the North-west Territories, which produces about 1.3m ounces of silver per year.

Although the Hunts have gone down in U.S. business history as the businessmen who lost their shirts on one of the most spectacular price collapses of a precious metal, the brothers are still both extremely wealthy men with expanding business interests.

It required a $1.1bn credit line, negotiated with the Federal Reserve Board's participation, to get the Hunts through their spring liquidity crisis, but the two brothers' assets are claimed to be worth around $8bn, although most of the assets are pledged as collateral against the $1.1bn loan.

The Hunts have long had natural resource interests in Canada, as well as in the U.S., where they own coal mines and oil wells in addition to silver producing facilities.

Profit down at Northwest Airlines

By Our New York Staff

NORTHWEST AIRLINES, the seventh largest U.S. carrier and one of the strongest U.S. airlines in financial terms, is continuing to suffer from tightening profit margins.

The Minnesota-based company, which reports earnings monthly, said yesterday that net earnings in November were $600,000, compared with $1.8m in the same month of 1979, when earnings were boosted by aircraft sales.

For the first 11 months of the year, Northwest's earnings came to $3.5m on operating revenues of $1.5bn, compared with income of $74.3m on revenues of $1.2bn in the corresponding period of 1979.

Northwest enjoys a strong domestic base in the midwest and western U.S. as well as holding some traditionally profitable international routes.

Northwest's profits have been squeezed in spite of strong traffic growth. In November, revenue passenger miles were 2.8 per cent higher than a year earlier and cargo ton miles 17.3 per cent higher. Traffic is also higher comparing the 11-month period with 1979.

Court support for Bendix

By Our Financial Staff

BENDIX, the consumer durables and industrial group, said a U.S. Court of Claims trial judge in Washington has recommended that the company be awarded more than $16m as damages for patent infringement by the U.S. Government. A full court panel must approve or reject the recommendation, said a Bendix executive.

The recommendation follows a court decision in 1979 that the U.S. Government had infringed a Bendix patent issued in 1952 for a jet engine fuel control.

Curtiss-Wright begins tender

By Our Financial Staff

CURTISS-WRIGHT, the New Jersey industrial concern, has begun its cash tender offer for 1m of its own shares at $46 a share through an offer to stockholders.

Neither Curtiss-Wright nor its board is making any recommendation as to whether stockholders should tender their shares. No soliciting dealers' fees are being paid.

The group is currently fighting off a $340m takeover bid by Kennecott, the largest U.S. copper producer, worth $40 a share.

Levitz sales fall

Levitz Furniture announces that December sales fell 9.7 per cent from a year ago, to $43.8m reports Reuter from Miami. Sales for the first 11 months of the fiscal year were $455.1m, an 8.6 per cent decline from 1979.

INTERNATIONAL CAPITAL MARKETS

Dollar Eurobonds strongly ahead

BY PETER MONTAGNON

DOLLAR EUROBOND prices roared ahead yesterday amid further indications of a drop in U.S. interest rates. Gains averaged a half point on the day, but some specific issues rose by well over two points.

A firm tone was already established when the market opened in the morning, but a strong rally in the New York bond market fuelled sentiment still further during the afternoon.

Demand for dollar bonds was prompted by a further cut to 20 per cent in the prime rate charged by some leading U.S. banks. Favourable U.S. money supply figures also boosted the trend, while in Europe six-month Eurodollar deposits finished at 16 per cent compared with 16¼ on Friday.

GTE Finance, meanwhile, is raising $50m through the issue of five-year notes with a coupon of 13¼ per cent led by Blyth Eastman Paine Webber. The notes, which are priced at par, can be converted into seven-year notes with the same coupon and priced at par up till August 15 this year.

This technique, already used on a number of issues late last year, will attract investors who believe that interest rates are poised to decline further from present levels.

In the Swiss franc sector conditions are expected to be set today on a new SwFr 100m ten-year issue by TransCanada Pipeline which is to be led by Swiss Bank Corporation.

The secondary market was again firm in relatively light trading with prices rising by 1¼ points on average. Sentiment was above all helped by the decline in U.S. dollar interest rates which also pushed Euro-Swiss franc rates lower.

An announcement by major banks cutting rates paid on short-term time deposits had no immediate impact as it came too late to affect bond trading.

The rates on deposits for between three and 12 months were cut by between ½ and ¾ per cent effective immediately. Dealers said this should reinforce the firmer tone of the bond market today.

The market should also soon come under the influence of reflows into the domestic bond sector which are traditionally heavy in January. In past years the resulting strength of domestic bonds has underpinned the prices of Swiss franc foreign bonds.

Deutsche Mark foreign bonds were well maintained, but dealers reported light turnover as many operators have not yet returned from their Christmas break and a number of houses are being slow to rebuild positions wound down for the year-end.

New issue activity in this sector has been reduced to a virtual standstill. Dealers believe that a further decline in short-term dollar interest rates could stimulate good demand for DM paper. Prices might then rise strongly because of the shortage of new material coming on to the market.

Nationale-Nederlanden is tapping the Euro-guilder market for Fl 60m through Bank Mees en Hope. The notes, which mature in 1988 and carry a 10 per cent coupon, are priced at 99½. Non-Dutch banks in the consortium are Deutsche Bank and Credit Suisse First Boston.

$60m Eurocredit for Sao Paolo utility

BY OUR EUROMARKETS STAFF

THE STATE electricity concern of Sao Paolo, CESP, is raising a $60m Eurocredit through a group of international banks led by Libra Bank. Margins on the deal are below the level established by recent Brazilian Eurocredits, but will be topped up by a group of Italian companies which have signed an export contract with CESP.

The credit, which is guaranteed by the Federative Republic of Brazil, is in two tranches, only one of which, totalling $48m over eight years with four grace, will be put into general syndication, at a margin of 1⅞ per cent.

The other $12m portion is to be provided solely by the managing banks. It runs for nine years with 7½ grace at a margin of 1⅞ per cent.

These margins are strikingly below the levels set by Brazil's last public sector Eurocredit for the Itaipu hydroelectric project which carried a margin of 2 per cent above Libor or U.S. prime rate.

That credit was well oversubscribed and closed at a total $261m compared with an initial target of $200m. Although the loan is now signed, it is understood the amount may still be increased slightly.

The CESP borrowing is to be subsidised by a group of Italian companies which is supplying material for the hydroelectric project to which the funds are being applied.

The subsidy is to be shared among all participating banks. It brings total remuneration on the borrowing to a level roughly equal to that of the Itaipu deal.

About eight Italian companies are concerned, co-ordinated by Gruppo Industrie Elettro Meccaniche per Impianti all'Estero. Italian export finance has been provided separately in connection with the project.

Libra is acting as agent for the CESP financing, which follows two broadly similar deals arranged by French and German banks last year. Other banks in the management group are Banco de la Provincia de Buenos Aires, Banque Européenne pour l'Amérique Latine, National Bank of Canada and Orion.

BancOhio in the black

BY OUR FINANCIAL STAFF

THE BOARD of BancOhio Corporation, the holding company for Bank of Ohio, is taking a cautious view of the major changes now pending in U.S. consumer banking.

The Board sees major headaches in 1980, and is worried about prospects for 1981 and beyond.

"We have been hit in the head by a two-by-four," said Mr. Robert G. Stevens, chairman, president and chief executive officer. "There probably isn't a more difficult period to go through than one in which all the tried-and-true practices in your business are changing."

BancOhio staged a retrenchment over the past 12 months, lifting profit from operations in the fourth quarter to "close to" the $8.2m or $1.02 a share, of the year before, Mr. Stevens estimated. The fourth quarter showing will put BancOhio in the black for all of 1980. BancOhio in the first nine months had a net loss of $950,000.

But while BancOhio "feels very good" about its fourth quarter performance and while it also expects 1981 results to improve from those of 1980, "we don't feel comfortable that the whole problem is over."

Toys 'R' Us sales surge

BY TERRY BYLAND

SALES AT Toys "R" Us, the major toy specialty retailer, showed a 24 per cent gain during the important pre-Christmas trading period, the Board disclosed yesterday.

In a report to shareholders, the company also disclosed that it might not exceed last year's net income total of $26.9m in the curent year which ends on February 1.

Net sales for the eight weeks in the November and December selling season rose to $310.2m.

The board added that sales for the 11 month period ended December 28 had increased by 25 per cent to $575.0m from 1979.

The comparable toy stores sales gain for the fiscal year to date was about 10.1 per cent over last year, including a 7.7 per cent increase for the November - December period. The company's fiscal year ends on February 1.

Sales at the company's 10 department stores increased by 5.2 per cent for the 11 month period, including a 7.5 per cent increase during November and December.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Monday, January 12. Closing prices on January 5

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
CECA 11½ 88	100	92⅞	93⅜	−0⅛	+0⅜	13.00
CFE 13 87	75	†91½	92⅛	+0⅛	+1½	14.95
Citicorp O/S Fin. 10 86	300	88⅛	88⅞	+0⅜	+1⅛	12.98
Citicorp O/S Fin. 12 87	200	95⅝	96⅛	+0⅜	+1⅛	12.92
Con. Illinois O/S 9¾ 86	150	86⅝	87⅛	0	+0⅛	13.22
Denmark 11¾ 90	100	90⅝	91⅛	+0½	+2⅛	13.46
Dome Petroleum 13½ 92	50	99⅛	99⅝	+0⅛	+0⅛	13.56
EEC 11 95 (May)	75	86⅛	86⅝	+0⅜	+1	13.13
EEC 11 95 (August)	70	85⅛	85⅝	+0⅜	+0⅛	13.27
EIB 13⅜ 90	100	100⅞	101⅜	+0⅞	+0⅜	13.49
Eksportfinans 9½ 87	75	85⅞	86⅜	+0⅛	+2⅛	12.88
Elec. de France 10 88	125	86⅛	86⅝	+0⅜	+0½	12.88
Export Dv. Cpn. 12¾ 87	100	97⅝	98⅛	+0⅜	−0⅛	13.19
Export Dv. Cpn. 9½ 86	150	86⅛	86⅝	+0½	+1⅛	13.39
Fed. Dev. Bank 12¼ 85	75	†95½	96	+2⅞	0	13.55
Fin. Exp. Credit 10½ 85	50	89	89½	+1⅛	+0⅞	13.82
Finland, Rep. of 9½ 88	100	84⅛	84⅞	+2	+3⅛	13.81
Ford Credit O/S 14⅝ 83	150	99⅛	99⅝	+0⅛	+0⅜	14.81
Ford O/S Fin. 12⅝ 85	250	90⅛	90⅝	+0⅛	+0⅞	15.72
GMAC O/S Fin. 13⅛ 85	100	99⅛	99⅝	+0½	+2⅞	13.52
GMAC O/S Fin. 12 87	100	93⅞	94⅜	+0⅜	+0½	13.37
Gen. Mtrs. O/S 11⅞ 87	100	92⅜	92⅞	+0⅛	+1	13.45
Goodyear O/S 12½ 87	75	†95⅛	95⅝	−0⅛	−0½	13.55
Hudson's Bay 11½ 90	75	90	90½	+0⅛	+1⅛	13.34
IBM Canada 10½ 85	50	97	97½	+0½	+0⅛	11.27
Int. Harvester 12¾ 85	115	95⅛	95⅝	+1½	−0⅛	14.09
J. C. Penney Int. 12⅛ 86	100	†96⅞	97⅛	−0⅛	−0⅛	13.15
McGraw 13½ 85	75	†96	96½	+0½	−1⅛	14.66
NorWest Ind. 13⅝ 87	50	96⅝	97⅛	+0⅛	0	14.36
Nova Scotia 10⅜ 90	50	87½	88	+1⅛	+1⅛	13.04
OKB 10 85	50	89⅛	89⅝	+0⅜	+0⅛	13.18
Pemex 11½ 88	100	88⅛	88⅝	+0⅛	+1½	14.07
Quebec Hydro 11½ 92	100	88	88½	+0⅛	+0⅞	13.54
Repsteel O/S 11½ 88	100	†84⅞	85⅜	+0⅛	+0⅜	14.88
Roylease 11¾ 85	50	93	93½	+0⅛	+0⅛	13.30
SNCF 12⅜ 85	50	97⅞	98⅛	0	−0⅛	12.95
Sweden 12⅜ 85	150	95⅝	96⅛	+0⅛	+0⅛	13.53
Swed. Ex. Cred. 12½ 85	40	†95⅛	95⅝	+0⅛	+0⅛	13.90
Swed. Ex. Credit 12 83	50	95½	96	+0½	+0⅜	13.90
Transamerica 12⅜ 83	50	96⅛	96⅞	−0⅛	−0⅛	13.86
Unilever NV 9¾ 90	100	†83½	84	+1½	+1⅛	12.77
World Bank 9⅜ 85	200	89⅛	89⅝	+0⅛	+1⅛	12.96
World Bank 10⅜ 87	300	87⅞	88⅜	+0⅛	+1⅛	13.05
Average price changes... On Day +0½ On Week +0⅞						

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 8½ 90	100	93⅛	93⅝	+0⅛	+1⅛	9.43
Australia 8⅛ 90	250	96⅛	96⅝	−0⅛	+0⅛	8.73
Austria, Rep. of 8¾ 92	150	93½	94	0	+0⅞	9.13
BFCE 8⅛ 95	100	†91	91½	0	+1⅛	9.25
CECA 7⅞ 92	150	†92	92½	+0⅛	−0⅞	8.94
CII-Honeywell 8⅝ 90	125	†94½	95¼	−0⅛	+1½	9.19
Denmark 8¾ 92	100	†94¾	95	−1	+0⅞	9.03
EIB 8½ 90	200	95¼	95¾	−0⅛	−0⅛	9.21
ESCOM 9¼ 87	100	97½	98	−0⅛	−0⅛	9.70
Ibarduero SA 9 90	100	†95	95½	−2½	−1	9.75
Ind. Bk. Finland 8½ 90	50	†94	94½	0	+0⅛	9.39
Japan Air Lines 8⅝ 87	100	95⅞	96⅜	+0⅛	+0⅞	8.87
Japan Dev. Bk. 7⅝ 87	100	92	92½	+0⅞	0	9.19
Kobe, City of 8 90	100	93½	94¼	0	+1½	8.97
Midland Int. Fin. 8½ 90	180	96½	97¼	+0⅛	+1	8.98
Norway 7½ 85	250	97⅛	98⅛	−0⅛	+1½	8.18
Nuclebras 9¾ 86	100	†92½	93¼	+0⅛	+0½	11.16
OKB 8¾ 92	150	†92½	93¼	0	+1⅛	9.27
Oslo, City of 8⅜ 90	80	98⅝	99⅛	+0⅛	+0½	8.91
Venezuela, R. of 9¾ 90	150	97¼	98	+0⅞	+0⅝	10.13
World Bank 8 90	700	92⅝	93⅛	+1	+0⅞	9.11
World Bank 10 86	150	104¼	105	+0⅛	+0⅛	8.85
World Bank 10 90	200	106⅜	107	+1	+1½	8.91
Average price changes.. On day +0¼ on week +0¾						

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Austria, Rep. of 5⅜ 90	100	97	97¼	+2⅛	+2⅛	5.77
Bayer Int. Fin. 5¾ 92	100	100	100¼	+0⅝	+0⅝	5.23
Bergen, City of 6 90	50	101½	101¾	+1½	+1¼	5.77
Buhrm'n-Tetterode 7 90	40	104½	105	+1¼	+1¼	6.29
Copenhagen Tele. 5⅝ 90	60	95½	96	+2½	+2¾	6.34
Denmark 5¾ 90	80	94⅜	94⅞	+1¾	+1⅝	6.50
EIB 4⅜ 94	100	†86½	87	+2¼	+1⅝	5.81
Elec. de France 5¾ 90	100	99	99¼	+1¾	+0½	5.36
Eurofima 5¾ 92	80	†101½	102	−0⅛	+0⅛	5.54
E. G. H. Hypo. Bk. 6 90	50	†102½	103	+2¼	+0½	5.61
Finland, Rep. of 5⅝ 90	80	93½	93¾	+0⅝	+0½	6.53
GZB 4¼ 89	100	87⅜	87⅞	+1⅝	+1⅞	6.09
Int.-Amer. Dev. 7 90	80	104¼	104½	+0⅛	0	6.36
Japan Dev. Bk. 5¾ 90	100	101⅝	101⅞	+1	+0⅝	5.57
Jutland Tele. 5½ 90	50	†95	95½	−0⅞	−0⅛	6.20
Mt. Blanc-Tunnel 5½ 90	60	98⅛	98½	+0¼	+1	5.72
Neweg 5⅝ 90	80	100⅛	100⅝	+1¾	+1⅛	5.64
Nippon Tel. & T. 4⅞ 89	100	93¼	93½	+0⅛	0	4.62
Nornes Komm. 4⅜ 91	100	87	87¼	+1¾	+1⅜	6.03
OKB 4⅞ 91	100	89⅞	90¼	+4⅛	+4	5.64
OKB 6 90	100	102	102¼	+1⅜	+1⅜	5.69
Oslo, City of 4⅞ 91	100	85½	86	−0⅛	+0¼	6.23
Oslo, City of 5⅞ 90	80	101½	101¾	+1⅝	+1⅝	5.65
Philips Lamps 5¾ 92	100	96⅝	95⅞	+1½	+1⅜	5.64
Sekisui Pre. Hms. 6 90	80	101⅜	102	+2⅝	+1⅞	5.73
Shikoku El. Pwr. 4⅜ 89	100	91½	92	+1⅛	+0⅛	5.98
Trade Dev. Fin. 6⅛ 90	50	96⅛	97	+0¼	+0⅛	6.66
Voest-Alpine 5⅜ 90	80	98¼	98½	+2⅞	+1⅜	5.97
Average price changes. On day +1¼ on week +1⅜						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 5.6 83	30	89⅝	90⅝	+0⅛	+0⅛	9.78
Australia 6⅝ 88	20	86⅞	87⅜	0	+0⅛	9.08
EIB 7⅜ 89	12	92⅞	93⅞	−0⅛	−0⅛	8.91
Finland 5.8 83	10	89⅛	90⅛	+0⅛	+0½	9.83
Finland 6.8 88	10	86⅛	86⅝	+0⅛	+0⅛	9.62
Finland, Rep. of 8⅞ 87	15	94⅜	95⅜	−0⅛	−0⅛	9.38
Average price changes .. On day 0 on week +0⅛						

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 10⅜ 86 C$	60	89¼	90	−0⅛	+0⅛	13.42
CIBC 13½ 85 C$	50	†97	97½	+0⅝	+1⅝	14.32
CIBC 11½ 85 C$	80	†92	92¾	+0⅞	+1⅛	13.82
Federal Dev. 11½ 90 C$	60	†86	86⅝	+1	+1⅝	14.15
Fst. Can. Inv. 10 84 C$	50	†88	88⅝	0	+0⅛	14.85
R. Bk. Canada 10 86 C$	40	89	91	0	+2	12.64
Tordom Cpn. 13¼ 85 C$	30	†98	98⅞	+0⅝	+1	14.04
M. Bk. Domk. 9 91 EUA	25	90	91	−0⅝	−1⅝	10.50

	Issued	Bid	Offer	Change on day	Change on week	Yield
SOFTE 9¾ 89 EUA	40	87	88	−0⅝	−0⅝	10.58
U. Bk. Nrwy. 9½ 90 EUA	13	99	100	−0⅝	−0⅞	9.57
Bk. Mees & H. 10 85 Fl	75	101¼	101¾	0	+0⅛	9.55
F. G. Hypo 9¾ 87 Fl	60	94½	95½	−0⅛	+0⅛	10.85
Heineken NV 10 87 Fl	75	97⅞	98⅞	+0⅛	+0½	10.38
Nat. Inv. Bk. 10 87 Fl	75	97⅛	97⅞	0	+1	10.55
Nat. Neder. 9½ 87 Fl	60	95½	96⅛	0	+0⅞	10.42
Ned. Midd. Bk. 10 85 Fl	75	101	101½	0	+0⅛	9.63
Aero Paris 13⅛ 87 FFr	150	95½	96½	−0⅝	−0⅛	14.07
Charb'nages 13⅞ 85 FFr	400	99⅝	100⅛	0	+0½	13.94
CECA 14¼ 86 FFr	150	100¼	101¼	+0¼	+0¼	13.99
Finland 11 84 FFr	80	89⅞	90⅞	+0⅛	+0½	14.44
Finland 11½ 89 FFr	70	84⅛	85⅛	+0½	+0¼	14.64
Gaz de France 11 84 FFr	150	90⅜	91⅛	+0⅛	0	14.08
Renault 9¾ 85 FFr	100	82⅞	83⅛	+0⅛	−0⅛	15.31
Solvay et Cie 9¾ 87 FFr	125	78¼	79¼	+0¼	−0⅛	15.20
Utd. Mex. Sts. 14 85 FFr	150	97⅛	98⅛	−0¼	0	14.53
Acona 14 85 £	20	95⅛	95⅝	−0⅛	0	15.39
Beneficial Fin. 14¼ 90 £	20	93⅞	94⅛	+0¼	+1¼	15.40
Beneficial Fin 14¾ 90 £	20	94	94¾	+0⅛	+0⅞	15.38
BNP 13½ 91 £	15	95⅞	96⅝	+0⅜	+1⅛	14.22
CECA 13½ 88 £	20	96¼	97	0	+2¼	14.21
Citicorp O/S 13½ 90 £	50	95	95¾	+0¼	+1⅛	14.43
Fin. for Ind. 14½ 88 £	20	99⅞	100⅜	+0¼	+0¼	14.41
Fin. for Ind. 13¾ 87 £	20	96¾	97½	+0⅛	+1⅛	14.40
Gen. Elec. Co. 12½ 89 £	50	92¾	93½	+0½	+1½	13.93
Peugeot SA 14 90 £	23	93⅞	94⅝	0	0	15.13
Rothschild 14¼ 90 £	12	97¼	98	0	+1¼	14.68
Swed. Ex. Cr. 15⅜ 85 £	20	102	102⅜	+0¼	+1¼	14.40
Banobras 8¾ 90 KD	7	†86⅝	87⅛	+0¼	+0¼	10.52
CCCE 8¼ 91 KD	10	†75⅞	76⅝	0	0	12.36
Sonatrach 8½ 90 KD	12	†87⅝	88⅛	+0¼	+0¼	10.61
Akzo 9¾ 87 LuxFr	500	89	90	+0⅛	+0⅛	11.54
Euratom 9⅜ 88 LuxFr	500	93	94	−1⅛	−0⅛	11.13
Eurofima 10½ 87 LuxFr	500	98	99	−0⅛	−0⅛	10.80
EIB 9¾ 88 LuxFr	600	95	96	−0⅛	−0⅛	10.68
Volvo 9⅜ 87 LuxFr	500	90	91	0	0	11.83

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish Bank 5¼ 87	0¼	†98⅝	99¼	2/1	10.44	10.56
Bk. of Montreal 5¼ 90	0⅛	99¼	99¾	18/6	5¼	5.28
Bank of Tokyo 5¼ 89	‡0⅛	97½	98	25/4	13.94	14.26
BBL Int. 5 88	0¼	98⅞	98⅜	20/5	16½	16.77
Barclays O/S Inv. 5 90	0⅛	*†99	99½	13/6	20⅛	20.28
Bergen Bk. A/S 6 89	‡0⅛	†98¼	98¾	29/2	18.19	18.46
BNP 5½ 88	0⅛	98½	99	29/1	14.44	14.62
CNT 5¼ 86	§0¼	96⅞	97⅜	16/4	13¼	13.64
Citicorp O/S F. 84	‡0	†98¼	98¾	31/1	18⅛	18.47
C. Itoh 5¼ 87	0¼	97	97½	18/3	12⅞	13.24
Co-operative Bk. 6 86	0¼	97⅝	98⅛	16/5	16¼	15.58
Den Norske Credit 6 90	0¼	97½	98	5/2	15¾	16.11
Genfinance 5¼ 87	0⅛	97¾	98¼	30/4	15⅛	15.43
Giro und Bank 5¼ 91	0¼	†98⅛	98⅝	23/3	5¼	5.34
GZB 5½ 89	‡0⅛	97⅝	98⅛	1/2	15.06	15.39
Jugobanka 8 89	0⅞	91	93	23/5	16⅝	18.21
Ind. Bank Japan 5¼ 87	0¼	97⅜	97⅞	15/4	13.31	13.64
Ind. Bank Japan 5¼ 88	0¼	97⅜	98⅛	9/4	13⅛	13.43
Lloyds Eurofin 8 90 £	0¼	94¾	95½	3/1	15⅝	16.56
Lloyds Eurofin 5¼ 92	0¼	98¼	98¾	4/6	17¼	17.51
LTCB Japan 5¼ 86	0¼	100⅝	101⅛	13/6	20.19	19.99
Man. Hanov. O/S 5¼ 94	‡0⅛	97¾	98¼	29/2	18⅛	18.49
Midland Intl. Fin. 5 89	0¼	*†100⅜	100⅞	30/8	19.58	19.44
Midland Intl. Fin. 5¼ 92	0⅛	98¼	98¾	5/6	17.19	17.46
Nacional Fin. 6¼ 86	0¼	98⅛	98⅝	25/1	9.69	9.85
Nat. West. 5¼ 94	§0⅛	96¼	96¾	14/4	13⅛	13.73
Nat. West. 5¼ 92	§0⅛	96⅜	96⅞	23/4	13.69	14.17
Nippon Credit 5¼ 87	‡0⅛	98⅜	98⅞	6/2	16.06	16.29
Standard Chart. 5¼ 90	0¼	96⅝	97⅛	6/3	12.06	12.44
Svenska Hndlsbk. 5 87	0⅛	98½	99	16/1	10	10.13
Bq. Ex. d'Alg. 4¾ 89 SF	0⅛	88½	89	18/6	7½	8.44
Average price changes... On day +0⅛ on week +0½						

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Bow Valley Inv. 8 95	4/81	23.12	103	104	+1	13.05
Canon 6¾ 95	1/81	829	117⅞	118⅞	+3⅛	3.28
Credit Suisse 4¾ 93	10/79	1278	113½	115½	−0½	−3.95
Digicon Fin. 8½ 95	10/81	29.5	104½	105½	+3¼	2.80
Enserch Fin. 9½ 94	7/80	30.25	164	165	+3½	−1.44
Hanson O/S Fin. 9½ 95	1/81	1.92	107	108	+0⅛	−2.81
Ina Overseas 8¾ 2000	4/81	42	102	103½	+0⅛	5.57
Inchcape Ltd. 8 95	2/81	4.55	97⅛	98⅛	+1	−1.93
Jaccs 7½ 95	11/80	565	109⅛	110⅛	+1½	1.79
Marion Int. Fin. 9 95	12/80	23.25	106½	108	+3½	−0.28
Matsushita El. 7½ 95	11/80	649	103¼	104¼	+3⅛	16.49
MEPC 8¾ 96	2/81	2.47	94⅛	95⅛	+1⅛	2.27
Niigata Eng. 7½ 96	1/81	327	97⅞	98⅞	+2⅛	−3.25
Nissho-Iwai Co. 8 96	10/80	398	94⅛	95⅛	+0½	−7.41
Ricoh 6¾ 95	8/80	604	111⅞	112⅞	+2⅛	−2.37
Sumitomo M. Ind. 7 95	2/81	181	108⅛	109⅛	+2¼	−3.37
Swiss Bk. Cpn. 6¾ 90	9/80	200	92½	94½	0	5.69
Taylor Woodrow 8¾ 90	1/81	4.94	94	95	+1¼	4.75
Transco Int. 8¾ 95	2/81	68	96½	98	+0½	14.25
Tricorp 8½ 95	12/80	31.25	98½	100	0	8.83
Union Bk. Switz. 5 89	2/80	121.4	88½	90½	+0½	−13.03
Fujitsu 5 84 DM	7/79	431.5	133⅜	134⅜	+2⅛	−2.00
Sharp Cpn. 6½ 88 DM	9/80	595	131	132	+3⅞	−1.60
Uny Co. 6½ 85 DM	11/79	867.3	102	103	+0⅛	−2.85

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn = The current coupon. C.yld = The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Companies and Markets

INTERNATIONAL COMPANIES and FINANCE

DUTCH SHIPPING

Nedlloyd KNSM bid to go ahead

BY CHARLES BATCHELOR IN AMSTERDAM

NEDLLOYD, THE largest Dutch shipping group, yesterday confirmed it would go ahead with the bid for the small KNSM shipping line after reaching last minute agreement with unions.

A merger of the two companies will create a shipping group with annual turnover of more than Fl 3.3bn ($1.5bn) and a workforce of 19,200. It will allow a rationalisation of KNSM's Amsterdam operations and of those of the Rotterdam-based Nedlloyd and secure the future of the loss making KNSM.

A detailed offer document will be published later this month, but the outline conditions revealed yesterday confirm *the indication* given in November. Nedlloyd will offer one Fl 50 nominal share and Fl 110 in cash for every two of the KNSM's 355,000 Fl 100 nominal shares.

Trading in the shares of the two companies was suspended on the Amsterdam Stock Exchange yesterday but on the basis of Friday's closing rate of Fl 96.90 for Nedlloyd shares, this values the bid at Fl 36.7m ($17m).

Conversion rights of Nedlloyd's 8½ per cent debentures will be amended to allow conversion into Nedlloyd shares.

Nedlloyd was twice forced to delay announcing its bid from the original target of early December because of opposition from one of the large transport unions and from the works council of KNSM. Neither could have legally blocked the deal but Nedlloyd said from the beginning that the approval of the works councils of the two companies was essential.

Opposition centred on a plan to shed 270 jobs — 200 in Amsterdam and 70 in Rotterdam — partly by compulsory redundancy. After talks lasting throughout the weekend agreement was reached for the job cuts to be achieved entirely by early retirement and transfers within the company.

Ahold, the largest Dutch retailer, plans a price cutting campaign in order to boost flagging demand after limited sales growth in the Netherlands last year. Price reductions will range up to 15 per cent.

Group turnover rose by 9 per cent in 1980 to Fl 5.9bn ($2.7bn) with foreign sales ahead by 28 per cent but domestic sales growing by only 4.3 per cent. No profit figures are available at this stage, but after seven months Ahold was 4 per cent ahead at Fl 25.8m after tax.

Ahold expects a growing contribution to its overall result from its foreign activities, which comprise the Bi-Lo stores chain in the southern U.S., which now has 117 outlets, and the Cadadia chain in Spain, which now has 26 stores and a distribution centre.

The company expects its Miro hypermarket division to return profits shortly and would like to expand the numbers of outlets. The new formula adopted for the Simon stores as low-cost neighbourhood supermarkets has been successful.

The chain of roadside restaurants had a successful year and it plans to start building another restaurant in the Netherlands in 1981. During 1980 Ahold increased its stake in Jaques Borel, the French catering group, to 90 per cent from 40 per cent.

Upturn in dealing volume for EOE

By Our Amsterdam Correspondent

TURNOVER ON the European Options Exchange (EOE) increased sharply in 1980 although Dutch options continued to dominate trading. The upturn in business last year was helped by a campaign to popularise the EOE, which has achieved only disappointing levels of turnover since opening in April, 1978.

The number of contracts traded rose by 49 per cent to nearly 710,000, while turnover in cash terms more than doubled at Fl 390m ($180m).

All options — conferring the right to buy shares—accounted for 519,000 contracts, while the more recently introduced puts, which allow the sale of the shares, accounted for 191,000.

The exchange noted a slight fall in the number of options which were actually used to buy or sell underlying shares, though the cash turnover on the stock exchange of the shares involved rose by 7 per cent to Fl 301m. One of the advantages claimed for the EOE is that it will lead to a rise in associated stock exchange turnover.

Dutch options accounted for 670,000 contracts, or 94 per cent of total business. The introduction of new put options contributed to the increase although interest in oil company shares meant that dealing in Royal Dutch Petroleum options was also a major factor in the overall increase.

Turnover in German options, first introduced in February, was 5,000 contracts worth DM 1.3m ($660,000). Trading in U.S. options rose 31 per cent to 33,000, worth $12.4m. The market traded 2,295 Belgian options worth BFr 66.1m ($2.1m) and 510 French options worth FFr 1.8m ($393,000).

Hoffmann La Roche margins hit

By John Wicks in Zurich

HOFFMANN-LA ROCHE, the Swiss pharmaceuticals group, was hampered by reduced margins last year and as a result earnings have not kept pace with sales, the company says.

Sales rose by 10 per cent to Sw Frs 5.7bn ($3.2bn), lifting turnover above the previous peak set in 1977. In terms of local currencies the sales gain for 1980 extends to 16 per cent.

A breakdown of sales shows that turnover of the pharmaceutical division, up by only 2 per cent in 1979, increased by some 7 per cent last year. Because of a weakening of *world markets, however,* the growth rate of the vitamins and fine chemicals division slowed from 11 per cent to 8 per cent.

Elsewhere, perfumes and aromatics improved their sales by 6 per cent, or at about the same rate as in the previous year, while turnover of other divisions (diagnostics, cosmetics, instruments and agro-chemicals) went up by "considerably more than 10 per cent."

While no earnings figures are yet available, Roche says growth here has not kept pace with the increase in sales. In 1979, group net income rose 8.9 per cent to SwFr 219.1m ($123.78m).

The company says that although exchange rates had significantly less influence on the results than in the previous year, inflation had a significant effect on costs.

Steady payout likely at Hoechst

BY KEVIN DONE IN FRANKFURT

HOECHST, one of the three big West German chemicals companies, is likely to hold its dividend payment for 1980 at DM 7 per share despite reduced profits.

Professor Rolf Sammet, the Hoechst chairman, said he was hopeful that the decline in profitability had been held "within limits" and that the dividend could be maintained. The company faces a higher total dividend cost, however, as a result of the DM 317m ($161m) rights issue made in the spring of 1980.

The precipitate fall in chemicals sales during the summer months had been halted and sales activity had stabilised in the final months of the year, albeit at a low level, he said.

Group sales worldwide increased by some 7 per cent to DM 29bn ($14.68bn) said Prof. Sammet, while sales of the parent company had increased by between 3 and 4 per cent. Much of the increase in turnover was accounted for by price rises, however, and there was a sharp fall in production in the second half of 1980.

For the whole year the volume of sales by the parent company had dropped by some 4 per cent, with the main problems coming in organic chemicals, synthetic fibres and plastics.

Referring to reduced working *hours among certain Hoechst* operations, Prof. Sammet said that "It is not to be expected that demand will be much more lively in coming weeks than in past weeks."

He said that prospects for 1981 "do not by any means look favourable." He noted that many experts predict a pick-up in the economy at some point in 1981, but said that Hoechst must brace itself for a difficult year. "We must soberly recognise that even zero growth would be a success in 1981."

Volume turnover for the Hoechst group could be expected to show a decline of between 3 to 4 per cent for 1980.

Canadian sales base for Schering

BY LESLIE COLITT IN BERLIN

SCHERING, West Germany's fourth largest pharmaceuticals concern, has established a fully-owned Canadian sales company by purchasing the outstanding 50 per cent in Pentagone Laboratories of Montreal held by Knoll of West Germany.

The move marks another step towards the integration of Schering's North American companies, as Pentagone is to market pharmaceuticals produced by Berlex Laboratories, Schering's U.S. pharmaceuticals subsidiary. Berlex was purchased from Cooper Laboratories in 1979 as part of Schering's long-term bid to establish a presence in the U.S. ethical drugs market.

The new Montreal subsidiary primarily is designed to introduce Schering's own pharmaceuticals to the Canadian market, but it will also continue selling Knoll products.

Schering has this month reorganised into one company, Hamm Chemie, four West German subsidiaries producing basic chemicals, pesticides and herbicides. Hamm is to increase production and offer related services while expanding its distribution network in Europe.

Schering's agrochemical sales rose by 20 per cent last year and the components of Hamm Chemie had a 1980 turnover of DM 180m ($93m).

Italstat boosts funding unit

By Our Financial Staff

ITALSTAT, the Italian state holding company for construction and civil engineering, has increased the capital of its Luxembourg-based unit Italstat International to $10m from $1.5m. The move is aimed at "facilitating the raising of funds on international markets in the interest of the companies controlled by Italstat."

Norwegian cement group forecasts improved year

BY FAY GJESTER IN OSLO

NORCEM, the Norwegian cement and building materials group which has offshore oil interests, expects a marked improvement in profit this year after a poor result in 1980.

Pre-tax profits for last year before extraordinary items, are expected to be "clearly lower" than the NKr 37m ($7.13m) achieved in 1979. The net result will also be hit by extraordinary costs connected with the sale and/or winding up of some of Norcem's less profitable activities. Group turnover last year reached NKr 2.5bn, only slightly higher than in 1979.

[illegible] expected to contribute to the profit recovery this year. The continuing switch from oil to coal firing in Norcem's cement plants will curb cost increases and several small loss-making companies have now been wound-up or disposed of. At the same time, its overseas and offshore interests are expected to develop profitably.

The cement division, with a turnover of Nkr 860m in 1980, accounts for about a third of Norcem's total sales. Domestic building activity last year was some 6 per cent down on 1979 and the group says the price increases which the authorities permitted during the year came too late to completely offset higher costs. Exports of Norwegian-produced cement and clinker fell in 1980 and prices stagnated, reflecting world over-capacity.

The offshore division continued to expand last year, increasing turnover by 24 per cent to NKr 575m. Sales by Joetul, a subsidiary making wood-burning stoves, rose by 8 per cent to NKr 280m.

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Funding by Hong Leong Industries

By Wong Sulong in Kuala Lumpur

HONG LEONG INDUSTRIES Berhad, the building materials manufacturer, has announced a one-for-two rights issue and a special issue to Bumiputras (Malays), to raise money for expansion and conform with the Government's New Economic Policy.

It will issue 8m new shares by way of rights, and 2.4m new shares under its Bumiputra scheme. The one ringgit shares will be sold at 1.8 ringgit each, and will bring in 19.4m ringgit (U.S.$8.8m).

Hong Leong said that 10.5m ringgit would be used for diversification and expansion, including the purchase of 3.7 acres of land in the Klang District, near Kuala Lumpur, for a new factory, and 7.8m ringgit would be used to reduce its loans.

The company's shares are currently being traded at about 4.9 ringgit on the Malaysian and Singapore exchanges.

● Tractors Malaysia Holdings, the 75 per cent-owned subsidiary of Sime Darby, has made a structural reorganisation, aimed at improving its service to clients. The reorganisation involves Tractors becoming an investment holding company, quoted on both the Malaysian and Singapore exchanges, and the creation of two unquoted companies — TMB and TME — to look after the two main aspects of its business.

TMB will take over the sale and distribution of Caterpillar equipment in Malaysia, Singapore and Brunei, and the related business of equipment finance and leasing.

TME will look after the non-Caterpillar side of the operations, which include distribution of non-Caterpillar equipment, and engineering products.

Although the Caterpillar distribution business remains the most profitable part of Tractors operations, the group is committed to diversification.

National Bank of Bahrain lifts earnings by 30%

BY MARY FRINGS IN BAHRAIN

PROFITS at the National Bank of Bahrain last year rose by 30 per cent, to BD 4.79m ($12.7m) from BD 3.68m in 1979, according to unaudited results. The bank announced the fourth bonus share issue since 1978, and said that authorised capital would be doubled, from BD 10m to BD 20m ($53m).

Mr. Nooruddin A. Nooruddin, the general manager, said the profit figures did not include earnings from handling offshore share issues. Any such "windfall profits" would be placed in the reserve.

Final figures for total assets are not yet available, but Mr. Nooruddin said that the 1979 total of BD 210m had grown by more than 30 per cent.

At a year-end meeting, the board approved a recommendation to shareholders for payment of a 9 per cent dividend, equivalent to 15 per cent of net profit, together with the appropriation of 5 per cent of net profit for donations, to meet what the bank regards as its social responsibilities.

It will also recommend a one-for-two bonus share issue, which will raise paid-up capital from BD 8m to BD 12m, by capitalising BD 4m from the general reserve.

In 1978, the paid-up capital was raised from BD 1m to BD 2m. This was doubled in 1979, and again in 1980, when the authorised capital was also increased from BD 5m to BD 10m.

BAII Middle East takes exempt company status

BY OUR BAHRAIN CORRESPONDENT

BAII (MIDDLE EAST), the Bahrain offshore banking branch of Banque Arabe et Internationale d'Investissement, is registering as a Bahrain exempt company.

Mr. Gerald Tedder, the managing director, said that permission had been received from the Bahrain Monetary Agency to transfer all liabilities and assets of the offshore banking unit (OBU) to a new Bahrain-registered company. "When the bank was established," he commented, "the legislation for offshore registration in Bahrain did not exist. But it has long been clear that as an Arab consortium bank we should be registered in the Middle East."

Although 1980 had been a difficult year for banks in Bahrain, he said, those OBU's which had found a role for themselves had maintained or improved their profits. "BAII (Middle East) had a markedly improved year, and its profits will be nearly double those of 1979," Mr. Tedder said.

"This has been due partly to sharp growth in the bank's regional lending business, and partly to a number of transactions in which the bank acted as lead or co-manager—notably a U.S. $43m loan."

U.S. bank sells CAGA stake

By Our Financial Staff

COMMERCIAL BANKING Company of Sydney is to purchase the 22.09 per cent shareholding in Commercial and General Acceptance (CAGA), its finance house offshoot, held by Bank of America, for A$18.29m (U.S.$21.5m).

The transaction, expected to be completed in February, will make CAGA a wholly-owned subsidiary of CBC. The deal is in line with the Bank of America policy of concentrating its operations in direct ventures rather than joint.

York Trailer

IN OUR REPORT yesterday on aluminium container production by Jindo Industries of South Korea, it was wrongly suggested that York Trailer of the UK had ceased trading. York ended production of containers in Britain last year, citing the strength of sterling which made exports uncompetitive. It transferred this activity to licensees in several other countries; the company maintains its trailer and truck manufacturing interests. York's British activities include manufacturing plants as well as 15 service and equipment branches around the country. The company claims to have Britain's largest trailer and truck equipment service network.

WORLD STOCK MARKETS

Early Dow upsurge of 18.2

ENCOURAGING money supply news and another Prime Rate cut combined with seasonal reinvestment demand by institutions sent Wall Street forging ahead *yesterday morning in very heavy* dealings.

The Dow Jones Industrial Average, which gained 8.79 last Frida, surged 18.26 to 991.04 at 1 pm yesterday. The NYSE All Common Index climbed 93 cents to $79.19, while advances led declines by a four-to-one majority. Trading volume swelled to 44.20m shares, more than double last Friday's 1 pm figure of 20.09m.

The Federal Reserve reported that the basic money stock fell $2.5bn. It announced last Friday a $1.16bn drop in New York business loans. Analysts said the figures gave hope that the Fed will not need to tighten credit further to check money growth in the near-term.

Morgan Guaranty Trust cut its Prime Rate to 20 per cent from 20½, although no major bank followed suit.

Heavily-capitalised issues and major growth stocks, the traditional area of investment *for institutions, were generally* stronger, but Oils showed small gains or losses.

Larry Wachtel, of Bache Halsey Stuart Shields, said portfolio managers were taking profits in the Oils and buying "the IBM's and the Retailers."

Among the actives, **IBM** put on 1½ to $70⅞ on top of a 1½-point gain in Friday. **Sears Roebuck** rose ½ to $16 and **Federated Department Stores** ½ to $29 ex-dividend. **K Mart** improved $1 to $19¾ after a late start, and **Dayton Hudson** hardened ⅞ to $44½, but **Texaco** eased ¼ to $48¾ and **Mobil** ½ to $81½.

Photography issues were active. Last week, **Eastman Kodak** announced increased prices. **Kodak** rose 1¾ to $73½ and volue leader **Polaroid** ⅞ to $25½. A block of 513,000 Polaroid were moved at $24½.

Revlon gained 1¼ to $49¾. A block of 450,000 shares were traded at $49½. **Avon Products** advanced 1¼ to $35½ and **Walt Disney** ½ to $52½.

THE AMERICAN SE Market Value Index was 2.66 stronger at 358.26 at 1 pm after volume of 4.73m shares (2.87m).

Closing prices for North America were not available for this edition.

Canada

Stocks were also broadly higher in Canada after active early trading. The Toronto Composite Index added 12.1 at 2,302.5 at noon, while Golds rose 104.4 to 4,764.8 and Oil and Gas 37.4 to 4,511.8.

Tokyo

Following the week-long closure for the *New Year* holiday, the market was active and firmer-inclined on re-opening for a half-day session yesterday. Buying interest was stimulated by the lower U.S. interest rates and recent firmer trend on Wall Street.

The Nikkei-Dow Jones Average improved 34.57 to 7,150.95 and the Tokyo SE index added 1.69 at 495.79. Rises outnumbered falls on the First Market section by 381 to 222 after turnover of 230m shares when trading ended at noon.

Some recently favoured Blue Chips, Defence-related issues and Oils receded on profit-taking, *while Trading Houses also* weakened, but Precision Instruments, Light Electricals, Chemicals and Synthetic Fibre Manufacturers mainly gained ground.

Asahi Optical put on Y9 to Y629, **Toray** Y17 to Y284, **Toho Rayon** Y15 to Y385, **Sony** Y20 to Y3,160, **Takeda Chemical** Y9 to Y636, and **Victor Japan** Y40 to Y2,710.

Issues related to gene technology development rose sharply, with **Ajinomoto** adding Y24 at Y769 and **Kyowa Hakko** Y21 at Y520.

Isuzu Motor gained Y26 to Y240, but **Nippon Oil** lost Y40 to Y1,310. Trading House **Mitsubishi** Y15 to Y665 and **Fuji Heavy** Y5 to Y355.

Hong Kong

The market finished sharply higher following heavy dealings, leaving the Hang Seng index, after last Friday's advance of 51 points, up 75.05 more at 1,599.91.

Stocks opened firmer and climbed rapidly early in the session as operators believed U.S. interest rates have at last *started* to show a definite downward trend. Trading calmed down towards mid-session and some selling was noted, but this was easily absorbed and prices continued to rise.

Turnover on the four exchanges amounted to HK$766.24m, well above last Friday's HK$502.28m.

Outside the leaders, **Sun Hung Kai Properties** rose 70 cents to HK$19.00, **Carrian** 50 cents to HK$9.80, **China Light and Power** 40 cents to HK$23.10 and **New World** 45 cents to HK$7.25.

Germany

A widespread improvement occurred in reasonably active trading, with domestic institutions providing the main support, although some foreign investor interest was also noted. Helping sentiment was a weaker dollar and a firmer Domestic Bond market. The Commerzbank index rose 6.6 to 692.0.

Raw Material shares featured, with **Preussag** rising DM 5 and **Kali und Salz** DM 3.50.

Commerzbank advanced DM 5 and **Deutsche Bank** DM 3.40 in stronger Banks, but in mixed Motors, **Volkswagen** shed 50 pfennigs after detailing short-time working at its Braunschweig plant.

On the Domestic Bond market, Public Authority Loans were up to 25 pfennigs firmer, with the Bundesbank selling a net DM 1.7m of paper, after purchases of DM 1.2m on Friday. Mark Eurobonds were well maintained.

Paris

Most shares further retreated in active trading, with news of an opinion poll placing Socialist presidential candidate Francois *Mitterrand ahead of President* Valery Giscard d'Estaing depressing the market.

Continuing sales of small investments made under the "Monory law" also contributed to the fall, which affected all sectors.

Australia

Activity remained at a low ebb, although shares were again higher for choice with a number of energy issues providing further firm features. The Australian All Ordinaries index, produced jointly by the Sydney and Melbourne Stock Exchanges, put on 2.0 to 717.9, while the Oil and Gas sub-group index rose 6.7 to 962.0.

News of an oil show at Strata's Woodada No 3 well in the Perth Basin saw the stock finish 15 cents higher at A$3.90.

Elsewhere in the Oil and Gas group, **Santos** added 20 cents at A$18.20, **Crusader Oil** 10 cents at A$5.60 and **Hartogen Energy** *10 cents at A$7.60.*

Boral, on the Industrials board, advanced 10 cents to A$3.45 after announcing an agreement with Esso to farm-in on three oil and gas prospects in Queensland.

Among Coals **Coal and Allied** improved 10 cents to A$14.50, **Howard Smith** 10 cents to A$8.90 and **Oakbridge** 5 cents to A$2.70.

Dunlop added 4 cents at A$1.40, still reflecting hopes of an increased offer from **North Broken Hill**, off 2 cents at A$4.10.

MIM hardened 5 cents to A$4.85 among Metal Mining issues, *which recorded generally* little movement awaiting overseas reaction to the latest U.S. Prime Rate cuts.

Johannesburg

Gold shares closed mixed but with a firmer undertone after very quiet trading.

Indices

NEW YORK —DOW JONES

	Jan. 2	Dec. 31	Dec. 30	Dec. 29	Dec. 26	Dec. 24	1980/81 High	1980/81 Low	Since C'mpil't'n High	Since C'mpil't'n Low
●Industr'ls	972.78	963.99	962.03	960.56	965.38	965.05	1000.17 (20/11)	759.13 (21/4)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds	63.32	65.66	66.41	65.15	65.82	64.04	75.51 (25/6)	60.96 (18/12)	—	—
Transport.	401.43	398.10	396.22	395.67	399.32	396.76	425.68 (26/11)	233.69 (27/3)	425.68 (28/11/80)	12.232 (8/7/32)
Utilities	116.12	114.42	114.20	114.66	116.79	116.57	117.54 (18/11)	95.04 (27/3)	165.32 (20/4/69)	10.5 (28/4/42)
TradingVol 000's	29,870	41,210	39,750	36,060	16,150	29,490	—	—	—	—

●Day's high 975.65 low 956.70

Ind. div. yield %	Dec. 26	Dec. 19	Dec. 12	Year ago (approx)
	5.65	5.82	5.95	6.03

STANDARD AND POORS

	Jan. 2	Dec. 31	Dec. 30	Dec. 29	Dec. 26	Dec. 24	1980 High	1980 Low	Since Cmpil't'n High	Since Cmpil't'n Low
‡Indust'ls	155.10	154.45	154.04	153.64	155.32	154.48	160.96 (26/11)	111.09 (27/7)	160.96 (28/11/80)	3.52 (30/6/32)
‡Composite	136.34	135.76	135.52	135.05	136.57	135.88	140.52 (28/11)	98.22 (15/2)	140.52 (28/11/80)	4.40 (1/6/32)

	Dec. 31	Dec. 24	Dec. 17	Year ago (approx)
Ind. div. yield %	4.36	4.56	4.46	5.38
Ind. P/E Ratio	10.46	9.57	9.39	7.54
Long Gov. Bond Yield	11.86	11.75	12.57	10.16

N.Y.S.E. ALL COMMON

Jan. 2	Dec. 31	Dec. 30	Dec. 29	1980/81 High	1980/81 Low
78.26	77.66	77.58	77.44	81.02 (29/11)	55.30 (22/9)

Rises and Falls	Jan. 2	Dec. 31	Dec. 30
Issues Traded	1,868	2,014	2,012
Rises	1,054	1,042	769
Falls	503	590	835
Unchanged	311	382	408
New Highs	—	55	40
New Lows	—	11	15

MONTREAL

	Jan. 2	Dec. 31	Dec. 30	Dec. 29	1980/81 High	1980/81 Low
Industrials	371.44	365.57	365.62	366.62	423.30 (28/2)	325.61 (27/3)
Combined	355.54	348.45	349.31	349.50	378.96 (20/10)	296.90 (27/3)
TORONTO Composite	2290.4	2266.7	2263.4	2259.8	2402.2 (28/11)	1702.5 (27/3)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
LTV	436,300	20⅞	+ ⅝	Contl. Air	261,000	12⅜	+ 1⅛
Pan Am Air	322,900	4⅞	+ ⅛	Card. Pwr.	258,900	17⅞	− ⅛
Union Oil	307,000	44⅞	− ⅞	*Eastern Air*	253,300	7⅞	—
Texaco	293,700	49⅞	+ 1⅛	GAF	245,100	13⅞	+ ⅛
IBM	292,600	69⅞	+ 1⅛	Chrysler	234,600	5⅞	+ ⅛

	Jan. 5	Jan. 2	Dec. 31	Dec. 30	1980/81 High	1980/81 Low
AUSTRALIA						
All Ord. (1/1/80)	717.9	715.9	713.6	714.8	746.2 (17/11)	509.1 (5/1/80)
Metal & Minrls. (1/1/80)	730.0	728.9	724.6	721.7	818.0 (17/11)	492.5 (26/3)
AUSTRIA						
Credit Aktien (2/1/62)	66.43	(c)	(c)	66.96	69.40 (7/1/80)	65.59 (19/6)
BELGIUM						
Belgian SE (31/12/63)	83.13	(c)	84.19	83.67	105.75 (11/2)	82.62 (11/12)
DENMARK						
Copenhagen SE (1/1/73)	96.50	95.68	(c)	95.61	98.35 (4/11)	74.78 (5/3)
FRANCE						
CAC General (29/12/61)	106.5	108.60	112.0	112.9	120.3 (6/11)	87.1 (5/1/80)
Ind Tendance (31/12/80)	96.8	98.3	100.0	—	100.0 (31/12/80)	96.8 (5/1/81)
GERMANY						
FAZ-Aktien (31/12/58)	223.45	221.5	(c)	222.56	258.89 (25/2)	212.75 (28/3)
Commerzbank (Dec. 1953)	692.0	685.4	(c)	683.6	749.2 (25/2)	667.0 (27/3)
HOLLAND						
ANP-CBS General (1970)	86.5	85.7	(c)	85.4	29.5 (21/11)	74.0 (27/3)
ANP-CBS Indust. (1970)	64.1	62.8	(c)	61.6	68.2 (11/1/80)	58.2 (28/3)
HONG KONG						
Hang Seng Bank (31/7/64)	1599.91	1524.86	1473.59	1485.74	1654.37 (13/11)	738.9 (19/3)
ITALY						
Banca Comm. Ital (1972)	174.65	174.19	172.16	171.19	188.18 (4/11)	85.11 (2/1/80)
JAPAN						
Dow Average (16/5/49)	7150.95	(c)	(c)	(c)	7188.26 (6/11)	6475.93 (27/3)
Tokyo New SE (4/1/68)	495.79	(c)	(c)	(c)	457.56 (20/10)	449.01 (10/3)
NORWAY						
Oslo SE (1/1/72)	116.50	119.7	(c)	119.56	144.70 (14/2)	110.12 (28/3)
SINGAPORE						
Straits Times (1966)	661.85	659.52	660.82	660.39	721.70 (21/11)	429.75 (3/1/80)
SOUTH AFRICA						
Gold (1958)	(u)	—	(u)	790.4	1026.1 (22/9)	496.5 (16/3)
Industrial (1958)	(u)	—	(u)	694.2	660.5 (5/11)	456.0 (2/1/80)
SPAIN						
Madrid SE (30/12/80)	(c)	100.46	(c)	100.0	100.46 (2/1/81)	100.0 (30/12/80)
SWEDEN						
Jacobson & P. (1/1/58)	(u)	(c)	(c)	423.25	425.25 (30/12)	334.72 (17/1/80)
SWITZERLAND						
Swiss BankCpn. (31/12/58)	301.2	(c)	(c)	299.4	317.9 (11/2)	276.0 (28/3)
WORLD						
Capital Intl. (1/1/70)	—	169.8	169.2	169.3	164.6 (20/11)	120.3 (27/3)

Base values of all indices are 100 except Australia All Ordinary and Metals—500: NYSE All Common—50: Standard and Poors—10: and Toronto—1,000: the last named based on 1975. † Excluding bonds. ‡ 400 industrials. § 400 industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

COMMODITIES AND AGRICULTURE

Aluminium mill signing next month

BAHRAIN—An agreement to set up a $100m aluminium rolling mill in Bahrain will be signed here on February 10, according to the Bahrain industry ministry head of research and project studies.

Mr. Khalid Ashoor said construction of the 40,000 tonnes-a-year plant should begin by the end of this year with production starting in 1983.

Mr. Ashoor also disclosed Gulf industry ministers are likely to meet in March, possibly in Doha, Qatar, to approve a long-term strategy for the Gulf aluminium industry.

The strategy calls for building up to five aluminium smelters in Gulf countries and a bauxite refinery costing up to $800m in the Gulf or in a country near bauxite sources.

The rolling mill will be jointly owned by Qatar, Bahrain, Saudi Arabia, Kuwait, Iraq and Oman, while the United Arab Emirates is expected to join the project, although its formal agreement is still awaited.

The mill will use output from the Aluminium Bahrain (ALBA) smelter and will produce aluminium sheet and strip by either the conventional pot rolling process or by continuous casting.

At the same time, Aluminium Bahrain is conducting a feasibility study on expanding its plant capacity to up to 250,000 tonnes a year from the present 170,000.

A study on power costs will be completed next month and if favourable, a wider feasibility study will be begun.

ALBA's plant output will be gradually increased to 170,000 tonnes between May and November from the present 120,000 nominal capacity following recent expansion.

Reuter

Pakistan cotton export figures

KARACHI — Cotton exports by the Pakistan Cotton Export Corporation in the current fiscal year which began in July up to November stood at about 437,000 bales valued at $106.23m according to corporation figures.

The current year's revised export target is $393.5m, bosed on a production target of 4.3m bales in the crop season which began in September.

Pakistan exported cotton worth $340m during 1979-80.

Reuter

Copper lifted on cut in U.S. interest rates

BY JOHN EDWARDS, COMMODITIES EDITOR

COPPER prices rallied strongly on the London Metal Exchange yesterday afternoon following news of another cut in U.S. interest rates. Cash wirebars closed £14.75 up at £805.75 a tonne, while the three months quotation gained £22 to £828.75. The gap between the cash and three months quotation is widening back to normal with the end of cash purchases, prior to the end of the fiscal year, for tax purposes. LME warehouse stocks of copper, however, fell by 375 tonnes cutting total holdings to 122,225 tonnes.

Main influence in the market is the buying interest in New York that pushed prices up there last Friday. Two U.S. copper producers yesterday raised their domestic selling prices by 2 cents to reflect the stronger tone in the market.

However one of them, Asarco, at the same time lowered its domestic lead price by 2 cents to 37 cents a lb. However, this had little impact on the London lead market, where values followed the uptrend in copper and cash lead closed £8.5 higher at £313 a tonne. Lead stocks held in LME warehouses rose only marginally, by 100 tonnes to a total of 73,525 tonnes.

A hefty rise in zinc stocks, up by 2,225 to 85,925 tonnes, kept market prices back and cash zinc closed only £0.5 up at £332 a tonne.

LME silver stocks also rose by 470,000 to 27,320,000 ounces. But there were stock declines for aluminium—down by 4,250 to 63,700 tonnes; nickel 60 tonnes down to 4,494; and tin holdings fell by 650 to 4,920 tonnes.

Reuter reported from Kuala Lumpur that the U.S. position in negotiations for a new International Tin Agreement seems to be moving closer to the compromise proposal made in Geneva last month according to Paul Leong, Malaysian Primary Industries Minister.

Mr. Leong said in a statement he gathered this from a recent telephone conversation with U.S. Under-Secretary of State, Richard Cooper. This development could well lead to a workable basis for bringing the tin agreement talks to a successful conclusion, he said.

Mr. Leong said he will be liaising with the ministers of Indonesia, Thailand, Bolivia and other tin producers with a view to seeing outstanding issues settled as soon as possible.

World food shortage warning

BY OUR COMMODITIES EDITOR

A GRAVE world food situation could begin to develop by the end of 1981, unless there are very good wheat crops in the main exporting countries this year, according to the latest edition of World Commodity Outlook 1981*, published by the Economist Intelligence Unit yesterday.

The Outlook's section on wheat shows that world stocks at the end of the 1980/81 crop year are likely to be as low as during the 1973/75 food crisis. But the important difference is that at that time there was idle land to bring back into production, while now most land is under cultivation. So there is no margin for crop failures in 1981/82.

It is claimed that the position is broadly similar for maize (corn) and oilseeds. The drought in the U.S. which cut the maize crop there from 197m tonnes in 1979 to 164m last year, combined with record export demand, means that stocks in October 1981 are expected to be halved compared with a year earlier.

With increasing demand from Communist countries and the richer developing countries, the plight of poor countries importing maize for human consumption will be grim unless the next U.S. crop is a large one, the report comments. It notes that oilseed supplies are somewhat cushioned against the 1980 harvest setbacks by the heavy stocks at the opening of the 1980-81 season.

In all three markets, import demand from the Soviet Union will be a powerful factor. The report adds that the U.S. decision on the grain sales embargo to the Soviet Union is important, since most other potential suppliers were not in a position to expand sales greatly, even if they broke ranks with the U.S.

World Commodity Outlook 1981: Food, Feedstuffs and Beverages; £30.

India's crop prospects brighter

NEW DELHI—Rains in India in the past two weeks have brightened prospects of achieving a wheat production target of 36m tonnes in the current agricultural season, Agriculture Ministry officials said.

Drought last season cut wheat output to about 31.5m tonnes against a record 35m tonnes in 1978-79.

An additional 2m hectares has been sown to wheat this season, raising the total wheat area to 22m hectares.

The rains have also raised hopes of achieving the production target for winter pulses. Total production target of all types of pulses in the current season has been fixed at 14m tonnes.

India, now suffering from a shortage of pulses, produced about 12m tonnes in 1978-79, but production dropped sharply last season.

India expects to harvest a total 135m tonnes of grains in the current season, including about 55m tonnes of rice against an earlier projection of 52.7m tonnes. Total grain production in 1979-80 was 115m tonnes and 131m tonnes in 1978-79.

Meanwhile in Washington it was claimed that a substantial area of winter grains in the Soviet Union is likely to be barren of snowcover as a result of continuing warm weather at the end of December.

The U.S. Agriculture Department's officer in Moscow said in a field report that the winter grain could be vulnerable to any quick, hard freeze. He said present conditions are not a cause for alarm, but there was a potential risk of excessive winterkill.

Reuter

Rubber prices at 30-month low

By Our Commodities Staff

THE DEEPENING world recession and high interest rates conspired to push prices on the London rubber futures market down to their lowest levels for two-and-a-half years yesterday.

With economic forecasts boding ill for the motor industry and the cost of financing historically high in most industrialised countries rubber manufacturers, particularly in the tyre industry, are reluctant to maintain large stocks and tyre dealers are becoming increasingly shy about committing themselves too far forward on supplies.

London traders said these were the main factors behind the decline which left the March futures position 0.8p down at 57.5p a kilo at yesterday's close.

But they said there were signs that the downtrend might be bottoming out. Most recent trading activity had been within a relatively narrow price range and there had been some buying of Malaysian rubber prompted by forecasts of a turnround in the U.S. economy. They noted that rubber plantations were entering their "wintering" period when the slower rising of sap would reduce output.

Prospects of an economic revival in the U.S. may depend on the economic package announced by President Reagan after his inauguration, the traders added.

Thai rice exports steady

BANGKOK — Thailand exported 2.75 tonnes of rice worth $950m in 1980, about the same as in the previous year, Bajr Isarasena, Director-General of the Foreign Trade Department, said.

He said the country exported 247,850 tonnes of rice in December. Forecasters here believe with a good harvest Thailand could export 3m tonnes of rice this year.

Mr. Bajr said the Thai Government had already concluded advance sales of 700,000 tonnes of rice, and the private sector another 675,000 tonnes, all due for delivery in the first quarter of 1981.

Reuter

GUERNSEY TOMATOES

Belated assistance

BY OUR GUERNSEY CORRESPONDENT

WITHIN the next few weeks, Guernsey's tomato growers will be receiving the first government aid they have ever had, apart from investment grants to help with the building and modernisation of glasshouses.

Out of £584,00 diverted from the investment grants scheme, they will be getting support payments ranging from 12p to 29p per six-kilo tray for four months of last year—February, March, May and June—when the prices fetched by Guernsey tomatoes on the UK market failed to cover production and marketing costs.

To qualify for the support, a grower will have to show that he is producing tomatoes in not less than 70 per cent of the area of glass he was using a year ago.

A further £1m has been earmarked for support payments, if necessary, in the first six months of this year. An average price of £3.38 per six-kilo tray has been estimated as the minimum needed by local growers.

It was with some indignation that the island's growers learnt that this £1½m allocated to help them through a desperately difficulty period had been the subject of a question in the European Parliament on unfair competition.

Unlike their counterparts elsewhere in the Common Market, Channel Islands growers and farmers receive no aid from Brussels. Under their special relationship with the EEC, the islands retain the proceeds from the Common External Tariff (CET) and do not draw on Community funds.

If the islands had been fully in the EEC, Guernsey's tomato producers would have been able to collect a substantial amount in withdrawal payments in 1979, when the shipment of all but the top grades had to be banned for several weeks and many thousands of tons of fruit dumped.

The suggestion of unfair competition was even more keenly resented since Guernsey growers see subsidised Dutch competition on the British market as the main cause of their present financial troubles.

Like UK growers, they regard it as a distortion of trade for their Dutch competitors to be supplied with their chief source of energy, natural gas, at a special low tariff. As a result, the Guernsey grower, who relies entirely on imported fuel oil, pays about 50 per cent more for glasshouse heating than do the Dutch.

In the event, the EEC found nothing contrary to its rules in Guernsey's support scheme and has given it clearance. At the same time Brussels is clearly sympathetic with the complaints of UK and Channel Islands growers about the artificially low fuel costs in Holland.

Increased Dutch competition, combined with escalating oil costs and high interest rates, have been too much for some of Guernsey's tomato growers, who have either gone out of business or turned to the growing of flowers, especially freesias.

Compared with 1,000 acres or so in the 1960s, the area used for tomato cultivation was down to 570 acres in 1979 and 485 acres in 1980. A drop to 300 acres or less was originally feared for 1981, but the support payments scheme, together with a sudden recovery in tomato prices last August, has persuaded some of the waverers to continue with tomatoes.

Last year around 7.15m trays of fruit were shipped, worth an estimated £19.6m, compared with 8.26m trays worth £19.3m in 1979. With a reduced acreage last year's returns to the grower were clearly much better than in the disastrous 1979 season.

However, the Guernsey Growers' Association says that overall returns have still not kept pace with the increased costs of production and points out that local tomato growers are facing yet another season "with hesitancy and uncertainty."

The universal hope in the island is that it will not take too long for the EEC to sort out "the Dutch problem." Meanwhile, for many growers, their financial position after the coming season will decide whether they think there is a future in tomatoes.

Irish meat setback forecast

BY RICHARD MOONEY

IRISH CATTLE and beef sales are expected to fall heavily in volume terms this year, wiping out much of the dramatic rise they achieved in 1980, according to Mr. Paddy Moore, market research and planning manager of the Irish Livestock and Meat Board. But with other EEC countries also selling less, he expects prices to rise.

The Board's annual review shows Irish livestock and meat exports increased by 35 per cent in 1980 to a record I£815m and accounted for 20 per cent on total Irish exports.

But it notes with concern that this was achieved partly at the expense of future production as over 20 per cent of disposals represented de-stocking.

Britain remained the biggest market for Irish beef taking 162,000 tonnes or 47 per cent of the total. Other EEC countries, mainly France, took 35 per cent while third country sales rose to 60,000 tonnes from less than 14,000 tonnes in 1979.

Exports of live cattle rose 45 per cent to 475,000 head with a record 203,000 head going outside the EEC—the Libyan market alone took 130,000 head. But British purchases fell 25,000 head to 90,000, the lowest level for many years.

Mr. Moore said this export performance meant that cow numbers would be about 3 per cent down in 1981 causing cattle marketings to fall by 20 to 25 per cent. The review warns that this will place further pressure on meat plant overheads and, by raising producer prices, make long-term development in the meat processing sector more difficult.

Irish carcase lamb exports rose by 9 per cent to 14,000 tonnes and live sheep exports doubled to 78,200 head in 1980, the review shows. Their combined value was I£31.6m.

The board says the establishment of the EEC common sheepmeat policy was the main bright spot in a difficult year for the sheep industry.

For most of the year Irish factory prices for lamb followed French prices. Rising French production pushed prices down leading to restrictions on Irish exports as a result of which prices paid to Irish producers slipped into a "very serious trough," the review says.

BRITISH COMMODITY PRICES

BASE METALS

COPPER—Moved ahead on the London Metal Exchange with the market given impetus by the cut in American prime rates. Forward metal opened at £815 and initially drifted to £811 before rallying to close the morning Kerb at £817 following dealer short-covering. In the afternoon the cut in U.S. interest rates prompted strong demand on Comex and three-months rose sharply in London to touch £829.5 before closing the late Kerb at £828.5. Turnover: 27,700 tonnes.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Wirebars				
Cash	790.5-1	—.25	805.5-6	+14.7
3 months	813-.5	+6.5	828.5-9	+22
Settlem't	791	—1	—	
Cathodes				
Cash	770.5-1	+.75	786-9	+17.5
3 months	793-.5	+7.25	809-10	+23.5
Settlem't	771	.....	—	.....
U.S. Prod			*85.75-90.2	.....

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £789, 90, 90.5; three months £814, 15, 14, 13.5, 13. Cathodes: Cash £770, 71; three months £793. Kerb: Wirebars: Three months £814, 15, 16, 15.5. Cathodes: Three months £794. Afternoon: Wirebars: Three months £828, 28.5, 29, 29.5, 29, 28.5, 28, 28.5, 27, 27.5, 28, 28.5, 29. Kerb: Wirebars: Three months £828, 28.5, 29, 29.5, 29, 30, 28.

TIN—Little changed with three months holding steady throughout the day prior to closing the late Kerb at £6,360. Turnover: 1,050 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	6290-5	+32.5	6265-70	+7.5
3 months	6375-85	+32.5	6360-70	+17.5
Settlem't	6895	+50	—	.....
Standard				
Cash	6290-5	+32.5	6265-70	+7.5
3 months	6370-80	+27.5	6255-60	+10
Settlem't	6295	+50	—	.....
Straits E.	$852.27	.....	—	.....
New York	—	.....		

Morning: Standard: Cash £6,300, 6,290; three months £6,365, 75, 80. High Grade: Cash £6,290. Kerb: Standard: Three months £6,375. High Grade: Three months £6,380. Afternoon: Standard: Three months £6,380, 75, 55, 60. High Grade: Three months £6,380, 90. Kerb: Three months £6,360, 65, 70, 62, 60, 58, 58, 60.

LEAD—Firmer in line with copper and despite the cut in Asarco's producer price. Light short-covering, and fresh buying prompted by lower American prime rates saw three months move up from £316 on the pre-market to close the afternoon Kerb at £327. Turnover: 12,075 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	310-11	+6	312.5-3.5	+8.5
3 months	321-2	+6	324.5-5	+8.25
S'ment	311	+6	—	.....
U.S. Spot	—	.....	*37.45	.....

Morning: Cash £309, 10; three months £316, 18, 19, 21. Kerb: Three months £320, 21, 22. Afternoon: Three months £325, 25.5, 25, 24, 24.5. Kerb: Three months £325, 26, 27, 27.5.

ZINC—Held steady in quiet trading which left forward metal at £344 on the late Kerb. Turnover: 4,100 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unoffic'l	+ or —
	£	£	£	£
Cash	327-8	—4	331-3	+.5
3 months	339-40	—3.5	344.5-5	+1.75
S'ment	328	—4	—	.....
Primw'ts	—	.....	*41.5	.....

£342.5 by the close of the kerb. Turnover 6,450 tonnes.

Morning: Three months £340. Kerb: Three months £340. Afternoon: Three months £343, 44, 43.5, 44. Kerb: Three months £345, 44, 45.

ALUMINIUM—Barely changed in subdued trading with forward metal closing the late Kerb at £627.5, having touched £632 in early dealings. Turnover: 13,730 tonnes.

Alumin'm	a.m. Official	+ or —	p.m. Unoffici'l	+ or —
	£	£	£	£
Spot	607-9	—2.5	609-10	—1
3 months	678-30	—1.5	639-30	—1

Morning: Three months £620. Afternoon: Three months £630, 31, 29, 30. Kerb: Three months £628, 28.

NICKEL—Moved narrowly prior to closing the afternoon Kerb at £2,677.5. Turnover: 90 tonnes.

NICKEL	a.m. Official	+ or —	p.m. Unoffici'l	+ or —
Spot	2660-5	—7	2665-70	—2
3 months	2675-20	—10	2680-90	—2.5

Morning: Cash £2,670; three months £2,680, 85, 80.

* Cents per pound. ‡ M$ per kilo. † On previous unofficial close.

CORAL INDEX: Close 473-478 (—2)

OIL INDEX

Oil Futures
Refined March '81 $45.10
Crude April '83 $43.00

BASE LENDING RATES

A.B.N. Bank	14 %
Allied Irish Bank	14 %
American Express Bk.	14 %
Amro Bank	14 %
Henry Ansbacher	14 %
A P Bank Ltd.	14 %
■ Arbuthnot Latham	14 %
Associates Cap. Corp.	14 %
Banco de Bilbao	14 %
BCCI	14 %
Bank of Cyprus	14 %
Bank of N.S.W.	14 %
Banque Belge Ltd.	14 %
Banque du Rhone et de la Tamise S.A.	14½%
Barclays Bank	14 %
Beneficial Trust Ltd.	15 %
Bremar Holdings Ltd.	15 %
Brit. Bank of Mid. East	14 %
■ Brown Shipley	14 %
Canada Perm't Trust	15 %
Cayzer Ltd.	14 %
Cedar Holdings	14 %
■ Charterhouse Japhet	14 %
Choulartons	14 %
C. E. Coates	14 %
Consolidated Credits	14 %
Co-operative Bank	*14 %
Corinthian Secs.	14 %
The Cyprus Popular Bk.	14 %
Duncan Lawrie	14 %
Eagil Trust	14 %
E. T. Trust Limited	14 %
First Nat. Fin. Corp.	16½%
First Nat. Secs. Ltd.	16 %
Robert Fraser	14 %
Antony Gibbs	14 %
Greyhound Guaranty	14 %
Grindlays Bank	‡14 %
■ Guinness Mahon	¶14 %
■ Hambros Bank	14 %
■ Hill, Samuel	§14 %
C. Hoare & Co.	†14 %
Hongkong & Shanghai	14 %
Keyser Ullmann	14 %
Knowsley & Co. Ltd.	16 %
Langris Trust Ltd.	14 %
Lloyds Bank	14 %
Edward Manson & Co.	15 %
Midland Bank	14 %
■ Samuel Montagu	14 %
■ Morgan Grenfell	14 %
National Westminster	14 %
Norwich General Trust	14 %
P. S. Refson & Co.	14 %
Rossminster	14 %
Ryl. Bk. Canada (Ldn.)	14 %
Slavenburg's Bank	14 %
E. S. Schwab	14 %
Standard Chartered	14 %
Trade Dev. Bank	14 %
Trustee Savings Bank	14 %
Twentieth Century Bk.	14 %
United Bank of Kuwait	14 %
Whiteaway Laidlaw	14½%
Williams & Glyn's	14 %
Wintrust Secs. Ltd.	14 %
Yorkshire Bank	14 %

■ Members of the Accepting Houses Committee.
* 7-day deposits 11½%. 1-month deposits 11¾%.
† 7-day deposits on sums of £10,000 and under 11½%, up to £50,000 12%, and over £50,000 12½%.
‡ Call deposits £1,000 and over 11½%.
¶ 7-day deposits 12%.
§ Demand deposits 12%.

SILVER

Silver was fixed 7.5p an ounce higher for spot delivery in the London bullion market yesterday at 657.8p. U.S. equivalents of the fixing levels were: spot $15.8, up 30c; three-month $16.519, up 33.6c; six-month $17.113, up 32.9c; and 12-month $18.368, up 37.3c. The metal opened at 660p-669p ($15.8-$16) and closed at 676p-685p ($16.35-$16.55).

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	657.80p	+7.5	678.0p	+28.5
3 months	681.80p	+8.1	703.5p	+28.5
6 months	705.10p	+8.1	—	.....
12months	756.80p	+9	—	.....

LME—Turnover: 228 (192) lots of 10,000 ounces. Morning: three months 688, 85, 87, 88, 85, 88. Kerb: three months 692, 93. Afternoon: three months 697, 96.5, 96, 97, 706, 04. Kerb: three months 703, 04, 05, 07, 10, 03, 06, 05.

COCOA

The volume of trade was thin and cocoa futures moving within a narrow range, ended the day virtually unchanged to the leels of Friday evening. This lack of interest was reflected by the physical market with industry reluctant to participate although producers reputedly made light forward sales, reports Gill and Duffus.

COCOA	Yes'rday's Close	+ or —	Business Done
March	887-888	—4.0	891-878
May	910-911	—1.0	912-900
July	931-933	+2.5	935-922
Sept.	951-952	+1.5	954-942
Dec.	977-978	—	979-968
March	1000-05	+2.5	1002-993
May	1010-22	—6.5	1015

Sales: 1,929 (289) lots of 10 tonnes. ICCO Futures: Prices unavailable due to U.S. holiday.

COFFEE

In line with expectations London opened slightly weaker in light volume and mixed dealings, reports Drexel Burnham Lambert. A steady New York performance was countered by renewed strength in sterling but prices eventually advanced by some £10 during a more active session.

COFFEE	Yesterday's Close (£ per tonne)	+ or —	Business Done
January	1003-06	+8.5	1006-988
March	1033-34	+5.5	1038-22
May	1043-44	+4.0	1047-32
July	1053-56	+7.5	1057-44
Sept	1057-58	+6.0	1061-48
Nov.	1057-61	+7.5	1065-50
Jan.	1055-78	+9.0	—

Sales: 2,008 (768) lots of 5 tonnes. ICO Indicator prices for January 2. Unavailable due to U.S. holiday.

GRAINS

LONDON GRAIN FUTURES — The market opened unchanged on wheat and barley. Good demand was seen for the spot months values closing 5p up on the day, distant options came under slight selling pressures and values closed 10p-15p lower. New crops hardly traded, wheat gaining 5p, barley held steady on September with November losing 15p, reports Acli.

M'nth	WHEAT Yesterd'ys close	+ or —	BARLEY Yesterday's close	+ or —
Jan.	103.80	+0.05	95.45	+0.05
Mar.	107.35	—0.15	98.90	—0.10
May	111.35	—0.15	102.85	—0.15
July	115.45	—0.05	.....	.....
Sept.	101.20	+0.05	96.45	+0.05
Nov.	104.95	+0.05	100.20	—0.15

Business done—Wheat: Jan. 104.05-103.85, March 107.60-107.30, May 111.60-111.35, July 115.60-115.45, Sept. 101.15-101.15, Nov. 105.00-105.00. Sales: 251 lots of 100 tonnes. Barley: Jan. 95.70-95.50, March 99.10-98.90, May 103.10-102.85, July no trade, Sept. 96.50-96.50, Nov. 100.50-100.35. Sales: 106 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No 2 14 per cent Feb. 111.25, March 111.55 transhipment East Coast sellers. U.S. Hard Winter 13½ per cent Feb. 106.75, March 107.00, transhipment East Coast sellers. Maize: French first half Jan. 119.75, second half Jan. 120.25, first half Feb. 121.50. S. African Yellow Feb.-March 89.50. Barley: English Feed fob Jan. 100.50, Feb. 102.50, March 103.75, April-June 107 East Coast. Rest unquoted.

HGCA—Locational ex-farm spot prices. Feed barley Scotland 89.50. The UK Monetary Coefficient for the week beginning Monday, January 12 (based on HGCA calculations) using three days exchange rates is expected to remain unchanged.

RUBBER

The London physical market opened easier with little interest throughout the day, closing on a quiet note. Lewis and Peat reported a fob January price for No. 1 RSS in Kuala Lumpur of 296.5 (298.5) cents a kilogramme and SMR 20 at 251.5 (253.5) cents.

No. 1 R.S.S.	Yest'rd'ys close	Previous Close	Business Done
Feb	55.50-57.00	56.50-57.60	—
Mar.	57.00-58.00	58.10-58.50	57.05
Apr-Jne	60.40-60.50	61.50-61.80	58.00
Jly-Sept	63.70-63.90	64.80-64.90	61.20-60.40
Oct-Dec	66.90-67.00	67.90-68.00	64.40-63.00
Jan-Mar	69.90-70.00	71.00-71.10	67.20-66.50
Apl-Jne.	72.90-73.00	74.00-74.20	70.30-70.00
Jly-Sept	75.90-76.10	75.90-77.20	77.10
Oct-Dec	79.00-79.20	79.90-80.00	80.10

Sales: 26 (487) at 15 tonnes, none at 15 tonnes. Physical closing prices (buyer) were: Spot 55.25p (56.00p), Feb. 59.50p (60.20p), March 60.25p (61.00p).

COTTON

LIVERPOOL—No spot or shipment sales were recorded. Dealings were far from brisk, and the range of interest was narrow. Few customers were anxious to extend engagements, so that operations were confined to sudden urgent needs in American type varieties.

SOYABEAN MEAL

The The London market opened unchanged and moved stronger on common house buying, reports T. G. Roddick. Despite stronger sterling prices continued steady helped by trade buying closing with gains of up to £2.00.

	Yest'rd'ys Close (£ per tonne)	+ or —	Business Done
February	131.50-31.8	+1.05	131.80-29.80
April	136.80-37.0	+1.00	137.00-35.50
June	139.20-39.5	+0.90	139.50-39.00
August	140.80-41.0	—0.20	
October	131.00-31.3	+0.60	131.00-30.50
December	130.50-31.5	—0.15	—
February	131.00-33.0	—0.25	—

Sales: 95 (116) lots of 100 tonnes.

SUGAR

LONDON DAILY PRICE (raw sugar) £300.00 (£280.00) a tonne cif for Jan.-Feb. shipments. White sugar daily price was £323.00 (£318.00).

No. 4 Contract	Yesterd'ys Close (£ per tonne)	Previous close	Business Done
Mch.	319.50-19.75	309.50-09.75	320.75-08.45
May	318.05-18.10	307.30-07.50	318.25-09.50
Aug.	302.00-05.10	295.50-97.00	306.10-99.50
Oct.	293.50-94.00	286.10-86.25	292.00-88.50
Jan.	269.00-72.00	262.50-66.00	—
March	263.00-67.50	258.00-65.00	266.00
May	250.00-69.00	257.00-65.00	—

Sales: 5,749 (1,222) lots of 50 tonnes. Tate and Lyle ex-refinery price for granulated basis white sugar was £342.6 (same) a tonne for home trade and £389.0 for export.

International Sugar Agreement. Prices for Jan. 2 unavailable due to U.S. holiday.

WOOL FUTURES

BRADFORD WOOL—Business continued dull after the holiday closures. Sterling's strength tended to check new demand by lower replacement wool costs.

SYDNEY GREASY WOOL—Close (in order buyer, seller, business, sales). Australian cents per kilo. March 470.1, 472.0, 472.5-470.0, 16; May 484.0, 484.5, 485.0-483.5, 21; July 500.0, 501.0, 500.5-499.5, 30; Oct. 500.0, 500.5, 501.0-500.0, 10; Dec. 503.0, 504.0, 504.0-504.0, 2; March 509.0, 510.0, 510.0-510.0, 2; May 515.1, 516.0, 516.0-515.1, 6; July 518.0, 520.0, 518.0-518.0, 3. Sales: 90.

LONDON NEW ZEALAND CROSSBREDS—Close (in order buyer, seller only). New Zealand cents per kilo. Jan. 348, 360; March 357, 365; May 358, 365; Aug. 371, 380; Oct. 373, 381; Dec. 378, 383; Jan. 380, 384; March 382, 386; May 383, 386.

POTATOES

LONDON POTATO FUTURES—With physical trade back to normal, there was more interest in the market. April fell initially, before rallying towards the close, with February holding steady for most of day before dropping sharply towards the close. November found good two way trade, with values dropping slightly in afternoon, reports Coley and Harper. Closing prices: Feb. 53.80 —110 (high 55.10, low 53.80); April 67.60 —60 (high 68.10, low 67.00); Nov. 51.10 —40 (high 51.70, low 51.10). Turnover: 107 (11) lots of 40 tonnes.

TEA AUCTION

LONDON TEA AUCTION—31,047 packages were offered at yesterday's auction. Selected brighter Assams were firm to dearer, plainer sorts were irregular 2p-6p lower. Bright Africans were firm to dearer with dusts strong. Mediums were irregular. Central Africans gained 4p to 6p. Ceylons were very firm. Quotations: Quality 121p per kilo (125p); Medium 100p (97p); Plain 59p (54p).

MEAT/VEGETABLES

MEAT COMMISSION — Average fatstock prices at representative markets on January 5: GB cattle 82.81p per kg lw (+0.13); UK sheep 145.47p per kg est dcw (—10.33); GB pigs 65.74p per kg lw (—3.27).

SMITHFIELD — Pence per pound. Beef: Scotch killed sides 68.0 to 71.0. Ulster hindquarters 84.0 to 90.0, forequarters 50.0 to 54.0. Eire hindquarters 84.0 to 86.0, forequarters 50.0 to 52.0. Veal: Dutch hinds and ends 100.0 to 104.0. Lamb: English small 66.0 to 74.0, medium 66.0 to 72.0, heavy 64.0 to 70.0. Imported frozen—N.Z pl new season 55.0 to 56.0, pm new season 52.0 to 52.0. Pork: English, under 100 lb 42.0 to 50.0, 100-120 lb 40.5 to 49.0, 120-160 lb 37.5 to 47.0.

COVENT GARDEN — Prices for the bulk of produce, in sterling per package except where otherwise stated: Imported Produce: Oranges—Spania: Navelinas 48/54/60 4.50, 70 3.60, 80 3.60, 90 3.60, 100/110 3.40, 120/150 3.40, Seville sours 6.50; Moroccan: 56/64 4.20, 75 3.40, 88 3.30, 100/113 3.20; Jaffa: Navels 50/168 4.20 5.00; Egyptian: Baladi 88/125 2.30. Lemons—Spania: Trays 25/54 2.20 2.60; Cyprus: 10-kg 4.0 5.40; Greek: 2.40 2.50; Italian: 100/120 4.50 5.00; S. African: 135/195 3.50 5.00. Grapefruits — Cyprus: 36/42/48/54 3.00 3.30; 20-kg 40/64 3.50 4.50; Jaffa: 20-kg 36 4.45, 40 4.50, 48 4.65, 56 4.20, 64 3.75, 75 3.55. Satsumas —Spania: 210/195/189 2.80, 168 2.80, 144 3.00, 105 3.20, 90 3.40, 126 3.40. Clementines—Moroccan: 6's 2.80, 5's 2.80, 4's 2.80, 3's 3.00, 2's 3.20, 1's 3.40. Apples — French: Starkcrimson 40-lb 4.00 4.80, 72 2.30, 84 2.00, Golden Delicious 20-lb 72 2.00 2.20, 84 1.60 1.80, 40-lb 125/175 3.60 4.80, Granny Smith 20-lb 72 2.50 2.70, 84 1.90 2.00, large boxes 3.80 4.80; Hungarian: Starking 44-lb 5.50; Canadian: McIntosh Reds approx 20-lb 70/100 2.40 2.80, Spartans 2.20, Red Delicious 135/150 6.50 7.00; US: 7.50 8.00; Dutch: Cox's 26-lb 60/65 per lb 0.08. Pears—Per lb Dutch: Conference 0.14; French: Comice 0.14 0.16. Peaches — S. African: 25's 2.80. Plums — S. African: Santa Rosa 11-lb 3.50; per lb Methley 0.30. Beauty 0.35 Apricots—S. African: Per lb 0.30 0.35. Grapes—Spanish: Almeria Polylined 2.60 3.20, Napoleon 3.20 3.60, Red Emperor 20-lb 7.50. Pineapples—Ivory Coast: Each 0.50 1.00. Bananas: — Colombian: Per lb 0.19. Melons — Spanish: Green 7/11 5.00. Avocados—Israeli: 5.50; Florida: 14/20 6.20. Tomatoes—Spanish: 3.00 3.50; Canary: 3.50 4.50. Onions — Spanish: 5.00; Dutch: 2.80. Potatoes: Italian: New crop 20-lb 3.00; Canary: Per lb 0.16. Cabbages—Dutch: White 4.00. Cauliflowers—French: 24's 6.50; Jersey: 24's 6.00. Cucumbers—Canary: 10/16 4.80 5.00. Capsicums — Canary: 6.50. Red Capsicums — Canary: 6.50. Chicory—Belgian: Per box 2.50. Celery—Spanish: 5.50; Israeli: Carmel 20's 6.00. Figs—Smyrna: Per ½-lb packet 48's 8.60. Dates—Algerian: Per packet 0.52 0.55; Iraqi: Slab dates ½-lb 48's 9.60; Californian: 8 oz tub dates 0.45. Chestnuts — Spanish: 3.30 4.40; Italian: 10-kg 6.00 8.00. Nuts—Brazils: Per lb large washed 0.24 0.16, medium 0.14; Walnuts: Chinese 30mm 55-lb, per lb 0.25; Almonds: Large hard 0.28, Ibiza 0.43; Pecan nuts: 0.63; Filberts: Sicilian 19mm 0.45; Mixed Nuts: 0.29; Peanuts: Per 28-lb 10.50. English Produce Potatoes — Per box 1.60 2.40. Mushrooms—Per lb 0.30 0.50. Apples—Per lb Bramleys 0.05 0.10, Spartans 0.06 0.12, Worcester Pearmain 0.06 0.08, Cox's Orange Pippins 0.08 0.14, Starking 0.08 0.10, Laxtons 0.06 0.09. Pears —Per lb Conference 0.03 0.15, Comice 0.14 0.18. Cabbages — Per bag 1.50, White cabbages 3.00 Cauliflowers — Per 12, Kent 3.50, Lincoln 3.00. Beetroots—Per bag 1.40. Lettuce—Per 12 round 2.60 3.00. Sprouts — Per lb 0.07 0.10. Carrots — Per 28-lb 1.20 1.70. Onions—Per bag 2.60 3.00. Celery—Per pack 20/30 4.00, naked 16/18 1.50.

★

GRIMSBY FISH — Supply fair, demand good. Prices at ship's side (unprocessed) per stone: Shelf cod £5.00-£6.50, codlings £4.00-£5.60; Large haddock £6.00-£7.00; Large plaice £5.00-£5.50, medium £4.50-£5.20, best small £3.50-£4.30; Lemon soles large £14.00, medium £11.00; Rockfish £3.00; Reds £2.60-£3.20; Saithe £3.40.

PRICE CHANGES

In tonnes unless otherwise stated.

	Jan. 5 1981	+ or —	Month ago
Metals			
Aluminium	£810/815	....	£810/815
Free Mkt	$1460/1490	....	$1450/1480
Copper			
Cash w'bar	£805.75	—14.75	£792.5
3 mths	£826.75	+22	£815.25
Cash Cathode	£787.5	+17.5	£780
3 mths	£809.5	—23.5	£798
Gold troy oz.	$599.5	+10	$607.5
Lead Cash	£313	+8.5	£314.75
3 mths	£325.75	+8.25	£326.75
Nickel	£3,226.67	....	£3,216*
Freemkt	275/290c	....	285/310c
Platin'mtr'y oz	£202	....	£202
Freemkt	£243.40	+1.45	£261.45
QuicksilverF	$355/365	....	$380/390
Silver troy oz.	657.80p	+7.5	736.30p
3 mths	681.80p	+8.10	761.20p
Tin Cash	£6,267.5	+7.5	£6,215
3 mths	£6,357.5	+10	£6,355
Tungsten22.04lb	$141.97	....	$144.32
Wolfrm 22.04 lb	$143/146	....	$137/140
Zinc Cash	£332	+0.50	£340
3 mths	£344.75	+1.75	£351.625
Producers	$825	....	$825
Oils			
Coconut (Phil)	$620	....	$590
Groundnut	‡		‡
Linseed Crude	£455	—10	£460
Palm Malayan	$635x	....	$635
Seeds			
Copra Philip	$420	....	$425
Soyabean(U.S.)	$336	+10	$335
Grains			
Barley Futures	£98.90	—0.10	£99.85
Maize			
French	£119.75	....	£121.5
Wheat			
No 1 Red Spg.	‡		‡
No2 HardWint.	£105.75y	+0.50	£108.5
Eng. Millingt	‡		‡
Other commodities			
Cocoa ship't	£963	—4	£958
Future May	£910.5	—1	£882.5
CoffeeF t'Mar.	£1,033.5	+5.5	£1029
Cotton A.Index	100.80c	....	99c
Rubber (kilo)	55.25p	—0.75	61.25p
Sugar (Raw)	£300	+10	£290
Woolt'ps 64s kl.	394p kilo	—5	397p kilo

† Unquoted. w March. y Feb. x Jan.-Feb. u Feb.-March. t April. z Indicator. § Buyer. ÷ Per 76 lb flask. * Nominal.

AMERICAN MARKETS

January 5.

PRECIOUS METALS rallied sharply on reported declines in prime rates. Copper finished very strongly when lower interest rates attracted heavy trade buying. The livestock complex closed moderately higher on lighter than expected terminal receipts. Heavy trade and commission house buying moved sugar prices sharply higher. Reports of a spreading coffee rust disease in Guatemala and Salvador, plus Columbia selling out her first quarter quota moved coffee significantly higher. Cocoa prices rose moderately. Cotton showed further strength on reports that a Chinese delegation was surveying the damaged Texas crop. A late sell-off in grains and soyabeans left all contracts lower except maize which finished mixed, reported Heinold.

Copper—Jan. 88.30 (85.35), Feb. 88.60 (86.70), March 90.70-91.00, May 93.20-93.30, July 95.40-95.50, Sept. ——, Dec. 98.90, Jan. 100.20, March 101.80, May 103.20, July 104.60, Sept. 106.00.

Potatoes (round whites)—March 140.5 (139.3), April 168.1-168.7 (167.3), Nov. 87.0-89.5. Sales: 2,535.

Sugar—No. 11: March 33.15-33.30 (30.58), May 33.20-33.35 (30.67), July 31.37, Sept. 29.95, Oct. 29.40, Jan. 27.05, March 26.68, May 26.58.

Tin—686.0-704.0 (684.0-694.0).

CHICAGO, Jan. 5.

Lard—Chicago loose 21.75 (22.00).

Live Cattle—Jan. 65.05 (65.15), Feb. 67.97-67.85 (67.92), April 70.20-70.27, June 72.10-72.00, Aug. 72.35-72.25, Oct. 70.95, Dec. 71.80, Feb. —.

Live Hogs—Feb. 47.12-47.25 (47.07), April 48.60-48.75 (48.02), June 52.55-52.60, July 53.70-53.65, Aug. 53.25, Oct. 52.50, Dec. 54.42, Feb. 56.70, April 55.70.

‡‡Maize—March 381½-381¼ (381¼), May 389¼-389½ (389½), July 390¼-391, Sept. 380½, Dec. 368-368¼, March 378½.

Pork Bellies—Feb. 54.70-54.85 (54.12), March 55.70-55.85 (55.05), May 57.60, July 59.90-59.95, Aug. 59.50-59.80.

†Soyabeans—Jan. 808½-807½ (813), March 835-833 (840½), May 861-859, July 879½-876, Aug. 875-876, Sept. 853, Nov. 842½-843, Jan. 860.

||Soyabean Meal—Jan. 237.0-237.5 (236.8), March 246.5-247.0 (246.7), May 254.0-253.0, July 258.5-259.0, Aug. 255.5-256.5, Sept. 248.0-249.0, Oct. 241.0, Dec. 241.5-242.0, Jan. 242.5-244.0, March —.

Soyabean Oil—Jan. 25.00 (25.05), March 25.75-25.80 (25.88), May 26.65, July 27.25, Aug. 27.30-27.35, Sept. 27.40-27.55, Oct. 27.55-27.60, Dec. 27.70-27.75, Jan. 27.70-27.75, March —.

†Wheat—March 505-506 (503½), May 513-514 (518¼), July 499-498½, Sept. 510½-511, Dec. 531, March —.

WINNIPEG, Jan. 5.

§Barley—March 159.60 (159.50), May 161.60 (161.40), July 162.40, Oct. 164.80, Dec. 165.20.

All cents per pound ex-warehouse unless otherwise stated. * $ per troy ounce. ¶ Cents per troy ounce. ‡‡ Cents per 56-lb bushel. † Cents per 60-lb bushel. || $ per short ton (2,000 lbs). § $Can. per metric ton. §§ $ per 1,000 sq feet. ‡ Cents per dozen. †† $ per metric ton.

EUROPEAN MARKETS

ROTTERDAM, Jan. 5.

Wheat—U.S. No. 2 Dark Hard Winter, 13.5 per cent, Jan. $240, Feb. $236, March $237. U.S. No. 2 Red Winter Jan. $231, Feb. $232, March $233. U.S. No. 2 Northern Spring, 14 per cent, Jan. $244, Feb. $248, March $250, April/May $230, June $231, July $232.

Maize—Spot $180, afloat $180, Jan. $180, Feb. $184, March $183.50, April/June $187.75, July/Sept. $186.50, Oct./Dec. $179.50, Jan./March $195.

Soyabeans—U.S. No. 2 Yellow Gulfports afloat $327.75, Jan. $331, Feb. $339.50, March $345, April $350.75, May $354, June $359, July $360, Aug. $360, Sept. $352.25, Oct./Nov. $339.50, Dec. $347 sellers.

Soyameal—44 per cent protein afloat $293, Jan. $293, Feb. $302, March $310, April/Sept. $320.50, Nov./March $309. Brazil Pellets afloat $299.50, afloat $301, Jan. $303, Feb./March $316, April/Sept. $331 sellers.

PARIS, Jan. 5.

Cocoa—(FFr per 100 kg): March 935-945, May 970-980, July 980-1,000, Sept. 1,000-1,020, Dec. 1,020-1,045, March 1,045-1,060. Sales at call: nil.

Sugar—(FFr per tonne)—March 3,595-3,600, May 3,570-3,580, July 3,540, Aug. 3,520-3,545, Oct. 3,290-3,310, Nov. unquoted, Dec. 3,180-3,235, March 3,050-3,158. Sales at call: 8.

INDICES

FINANCIAL TIMES

Jan. 2	Dec. 31	Month ago	Year ago
263.19	262.53	264.10	296.98

(Base: July 1, 1952=100)

MOODY'S

Jan. 2	Dec. 31	Month ago	Year ago
—	1215.8	1276.6	1390.5

(December 31, 1931=100)

DOW JONES

Dow Jones	Jan. 2	Dec. 31	Month ago	Year ago
Spot	464.55	442.16	450.50	415.77
Fut'rs	443.71	464.80	493.33	421.10

(Average 1924-25-26=100)

REUTERS

Jan. 5	Jan. 2	M'nth ago	Year ago
1726.9	1720.4	1725.6	1693.8

(Base: September 18, 1931=100)

U.S. and sterling influences prompt late rise in Gilts

Leading shares surrender early gains and close lower

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Dec. 24	Jan. 8	Jan. 9	Jan. 19
Jan. 12	Jan. 22	Jan. 23	Feb. 2
Jan. 26	Feb. 5	Feb. 6	Feb. 13

* "New time" dealings may take place from 9 am two business days earlier.

U.S. influences which caused the dollar to weaken and sterling to strengthen encouraged late confidence in Gilt-edged securities yesterday. Earlier, the market had been indecisive with the majority of longer-dated stocks easier following assessment of the proposed issue of a further £1bn tranche of Exchequer 12¼ per cent 1999, designated B. The new stock is being offered at a minimum tender price of £89.75 with £20 payable on application tomorrow.

The cut from 12½ to 10 per cent in the reserve asset ratio required to be maintained by banks and other deposit-taking institutions failed to generate enthusiasm initially. Larger investors were awaiting the UK December banking statistics, due to be announced at 2.30 pm today. *However, afternoon news* of the improvement in U.S. money supply trends together with Prime Rate cuts to 20 per cent aroused investment support from domestic and transatlantic sources which, in fairly thin trading, forced quotations higher.

Banks below best

Medium issues fared particularly well and **Treasury** 11¾ per cent 1991 closed a net ⅝ up at 87¼, while partly-paid **Treasury** 11½ per cent 1989 "A" rose ⅛ to 27. The shorts moved higher by amounts extending to ⅛, but several longs ended fractionally down on the session, despite edging forward in business after the official close.

Suspension of the BL strike at Longbridge gave equity leaders a good start to the final leg of the extended trading Account. The firmness, however, held only for a couple of hours, after which the reluctance of investors to commit funds turned the market easier. Sterling's upturn also adversely affected sentiment and the tone deteriorated noticeably between noon and 1 pm; thereafter, leading shares were overshadowed by Gilts. Above-average losses in **GEC**, **Thorn EMI**, **British Petroleum** and **Bowater** contributed to the reversal in the FT Industrial Ordinary share index which, after registering a rise of 2.2 at 11 am, closed a net 2.4 down at 472.9.

Slightly quieter conditions prevailed in Traded options where contracts completed amounted to 449, almost 100 below last week's daily average of 546. Among the more active issues were **Courtaulds** and **BP** with 114 and 91 deals respectively.

Up to 6 firmer initially on further consideration of the Bank of England's decision to reduce their minimum reserve *asset ratios, major clearing banks* drifted back on lack of follow-through support to close little changed on balance. **Midland** ended 2 dearer at 340p, after 344p, while **Lloyds** closed unaltered at 340p, after 346p. Elsewhere, **Manson Finance** gained 3 to 58p as did **London Scottish Finance**, to 52p.

Insurances made a dull start to the week. Composites closed with falls ranging to 6. **Royals** were quoted ex the £116.3m rights issue 4½ down at 342p; the new nil-paid shares opened at 31p premium and closed at 26p premium.

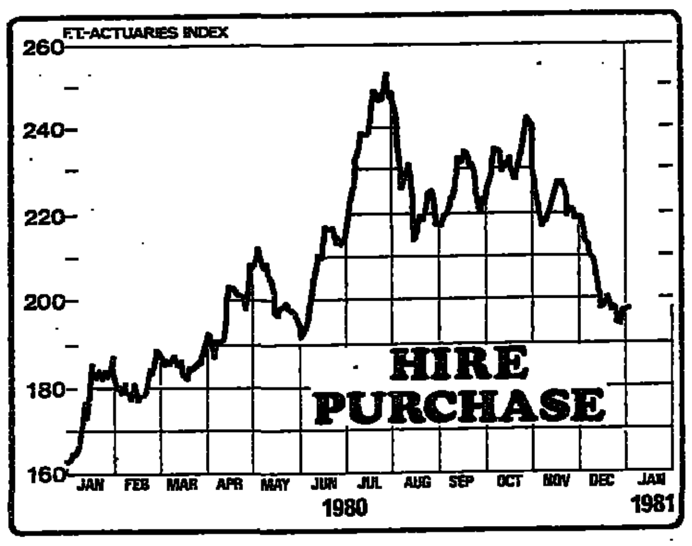
Interest in Buildings was mostly confined to Timber issues. **Mallinson-Denny** firmed 1½ to 76p on news that the company had accepted the bid, currently worth nearly 82p per share, from **Brooke Bond**, unchanged at 46p. Bid favourites **Phoenix**, 128p, and **May and Hassell**, 90p, added 2 and 4 respectively, while recently dull **International** rallied 3 to 70p. A touch harder at first on favourable Press comment, **Montagu L. Meyer** ran into profit-taking and closed 7 off at 79p. **Aberdeen Construction** put on 3 to 148p on news that Aberdeen Trust had acquired a 5.2 per cent stake in the company. Demand in a thin market lifted **Y. J. Lovell** 8 to 167p, but **Milbury**, a rising market of late, eased 4 to 50p. Also in a thin market, **I.D.C.** added 5 to 53p.

Reports that the company expects a tough first six months this year left **ICI** 4 cheaper at 322p.

Grattan dull

Interest in Stores was mainly confined to secondary issues in which relatively active business was transacted. The warnings of poor sales and a substantial reduction in the final dividend prompted marked weakness in **Grattan Warehouses**, 6 down at 60p, after 58p. Other mail-orders trended lower; **Freemans** eased a couple of pence to 100p, while **Empire**, currently involved in a dispute with the Accounting Standards Committee over its VAT accounting procedures gave up a similar amount to 118p. Demand in a thin market ahead of tomorrow's announcement of the annual results left **Bakers Household** 7 better at 97p, while scattered support was also noted for **Home Charm**, 5 dearer at 96p, and for **Owen Owen**, 4 up at 110p. **Cornell Dresses** continued to recover from recent weakness and ended 3 better at 63p, after 65p, while **Polly Peck** rose 6 more to 148p.

K Shoes, in receipt of an offer from C. and J. Clark worth 95p cash per share, fell 3 to 93p following the announcement that **Ward White** has dropped plans to launch a counter-bid; the latter closed a penny firmer at 55p. Elsewhere in Shoes, speculative attention was again directed towards **Stylo**, 10 higher at 145p.



Dullness in the Electrical leaders mainly reflected the absence of support. **GEC** drifted off to close 8 cheaper at 612p, while **Racal**, 328p, and **Thorn EMI**, 318p, gave up 4 and 6 respectively. **AB Electronic** continued the recent recovery movement with a gain of 6 to 132p. **Quest Automation** were also noteworthy for a fresh gain of 7 at 172p.

Engineering leaders were inclined easier in extremely slow trading. Elsewhere, **B. Elliott** staged a useful revival and closed 14 to the good at 182p, but fresh persistent offerings left **Mining Supplies** 10 cheaper at 118p. **Renold** found support and put on 4 to 59p, while **Howden Group** edged up 2 to 136p awaiting today's interim figures. **Record Ridgeway** firmed 4 more to 46p pending further news of a possible counter-bid. Other bright spots included **Capper-Neill**, 3 to the good. On the other hand, **RCF** rose afresh to 24p but reacted to close 2 cheaper on balance at 20p.

Food Retailers had a very firm appearance, **J. Sainsbury** rising 20 to 387p in a market short of stock and **Associated Dairies** firming 4 to 200p; last year, the latter announced interim results on January 30. **Kwik Save** became a good market and put on 7 to 172p. Elsewhere, **Avana** rose 10 afresh to 245p on speculative interest, while **George Bassett** revived with a gain of 3 at 39p. A "take profits" recommendation made no impression on **Somportex** which, in a thin market, advanced 20 more to 450p.

Avon Rubber up

Avon Rubber became a firm feature in miscellaneous industrials, being marked up 8 to 90p on news of the sale of the company's Avon Medicals subsidiary to Smith and Nephew for £2m. **Esperanza Trade and Transport** rose 9 to 138p on Press comment, while improvements of 2 and 4 respectively were seen in **BTR**, 374p, and **Bestobell**, 284p, for a similar reason. **CH Industrials** were marked up a penny to 26p on details of the Aston Martin deal, while Far-Eastern influences brought gains of around 7 in **Hutchison Whampoa**, 151½p, and **Jardine Matheson**, 214p. Renewed investment demand lifted **Ricardo** 6 to 540p and **Siebe Gorman** 7 to 167p. **"W" Ribbons** were favoured at 22p, up 3, and similar upward moves were made by **Davies and Newman**, 92p, **Gestetner "A"**, 63p, and **George Wills**, 53p. Dry cleaning and laundry shares remained popular with **Pritchard Services** 4 up at 124p and **Initial Services** 5 better at 215p. By way of contrast, **Rolfe and Nolan** shed a couple of pence to 66p following the disappointing interim results. The **NCR** 4 per cent **Convertible 1993-98** were marked down to £35 ex its conversion rights which expired at the end of 1980. Of the leaders, **Turner and Newall** touched 83p on investment buying before finishing a net 2½ harder at 81½p while **Reckitt and Colman** rose 4 to 192p but **Bowater** declined 5 to 180p and **Beecham** eased 3 to 176p.

A New Year Press recommendation directed attention towards **Hawley Leisure** which touched 50p before closing a net 3 dearer at 48p. Also in the Leisure sector, **Pleasurama**, preliminary results on Thursday, hardened 3 afresh to 194p. Renewed optimism about prospects for the packaged holiday industry lifted **Saga Holidays** 7 to 245p.

Strata Oil advance

Leading Properties drifted off to close with falls of a couple of pence. Secondary issues, however, attracted selective buying with **Warner Estate** adding 7 to 292p and **Deajan** 4 to 162p. **C. H. Beazer** revived with a gain of 7 at 85p, while speculative issues **Marler Estates** and **Rush and Tompkins** added 4 apiece to 74p and 202p respectively.

The majority of Oil shares drifted lower on occasional offerings and lack of support, but **Strata** moved against the trend with a rise of 20 to 202p in response to the company's report of oil traces from the Woodada 3 well in the onshore Perth basin. **New Court** also traded firmly at 92p, up 6, still reflecting the recent *half-yearly* results. In contrast, **BP**, 412p, and **Shell**, 458p, lost 6 and 8 respectively in the leaders.

Overseas Traders were quietly mixed. **Warren Plantations** encountered profit-taking and shed 7 to 187p, with the nil-paid closing 4 lower at 41p premium, but the announcement that Mr. Malcolm Horsman has been appointed Managing Director left **Tozer Kemsley and Millbourn** 2 dearer at 60p.

Among Financials, **M and G Holdings**, up 8 at 278p, and **Mercantile House**, 10 dearer at 545p, reflected favourable weekend Press mention, while **Hampton Trust** improved 4 to 69p following the encouraging Woodada 3 drilling report. Fresh demand left **Corinthian** a similar amount higher at 41p.

Shippings were featured by revived support for **Reardon Smith** issues, the ordinary rising 7 to 122p and the "A" 5 to 91p.

Golds rally

Mining markets turned firmer after an uncertain start. South African Golds tended to ease initially, owing to lack of interest and light selling, but subsequently rallied well following news that a number of U.S. banks had reduced their prime rates to 20 per cent from 21½ per cent.

The lower interest rates encouraged a late gain in the bullion price which closed $10 firmer at $599.50 an ounce. The Gold Mines index put on 4.4 to 410.2—its first rise in the last six trading days.

Activity in the gold share-market remained at a low level although the heavyweights attracted a fair demand. Of the latter, **Randfontein** were outstanding with a rally from £37 to close a net £2 higher at £39½.

Gains of around £1½ were common to **Hartebeest**, £35, and **Western Holdings**, £38½.

Little interest was shown in Financials, which closed with minor movements either way. In South Africans, **Middle Wits** touched 860p before closing 20 firmer on balance at 840p, while **GFSA** edged up ¾ to £38½. London issues were easier, where changed, in subdued trading.

Another good performance by overnight Sydney and Melbourne led to widespread gains in Australians. The oil shows at the Woodada 3 well encouraged strong buying of the Strata Oil shareholders, **Haoma Gold** and **North West Mining**; the latter gained 10 to 122p and the former 24 to 168p.

The Rundle twins continued to improve with **Central Pacific** a further 20 up at 410p and **Southern Pacific** 3 harder at 153p. Among the speculative issues, gains of 9 were common to **Ocean Resources**, 17p, and **Metals and Energy Minerals**, 28p.

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1980-81 high	1980-81 low
Hampton Trust...	5p	10	69	+4	83½	15
Royal Insurance	Nil/pd.	9	26pm	—	31pm	26pm
Shell Transport...	25p	8	458	−8	522	314
BAT Inds.	25p	7	243	+1	295	223
GEC	25p	7	612	−8	620	326
Premier Cons. ...	5p	7	107	−2	127	36
Bowater	£1	6	180	−5	214	141
Charterhall	5p	6	100	−6	*108	52½
Hawley Leisure	5p	6	48	+3	50	35
ICI	£1	6	322	−4	402	314
Assoc. Comms. A	25p	5	53	—	117	45
European Ferries	25p	5	143	—	192	98
GKN ..	£1	5	153	−3	279	133
Plessey	50p	5	269	−1	285	108
Thorn EMI	25p	5	318	−6	380	260

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Jan. 5	Jan. 16	Apr. 8	Apr. 21
Jan. 19	Jan. 30	Apr. 29	May 11
Feb. 2	Feb. 13	May 14	May 26

For rate indications see end of Share Information Service

Stocks favoured for the call included Suter Deferred, Lloyds Bank, Selincourt, Hampton Trust, Charterhall, Sterling Credit, Town and City Properties, FNFC, GEC, Comfort Hotels, Inveresk, Wilkins and Mitchell, KCA, Dixons Photographic, Floyd Oil and Bowater. Puts were taken out in Mining Supplies, Boots, Marks and Spencer and Hawker Siddeley, while doubles were arranged in Town and City Properties and Courtaulds.

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS Figures in parentheses show number of stocks per section	Mon., Jan. 5, 1981 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Fri., Jan. 2 Index No.	Wed., Dec. 31 Index No.	Tues., Dec. 30 Index No.	Mon., Dec. 29 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (211)	289.02	−0.3	14.81	5.70	8.24	289.91	287.41	286.48	283.87	213.82
2	Building Materials (27)	246.82	+0.1	18.82	6.99	6.33	246.56	246.16	244.35	241.42	196.82
3	Contracting, Construction (26)	405.69	+0.1	22.42	6.25	5.35	405.19	404.45	401.25	399.08	317.41
4	Electricals (27)	963.50	−0.9	9.49	2.73	13.09	972.22	959.13	956.44	942.50	555.37
5	Engineering Contractors (11)	399.31	+0.2	15.24	6.48	8.39	398.32	397.49	397.68	397.69	279.56
6	Mechanical Engineering (71)	172.52	−0.1	17.39	7.71	7.15	172.64	171.55	171.17	170.91	150.45
8	Metals and Metal Forming (13)	137.60	−0.4	21.56	12.46	5.88	138.18	137.33	136.59	136.18	147.22
9	Motors (21)	92.48	+0.3	22.13	9.13	5.23	92.22	92.19	92.74	92.71	104.36
10	Other Industrial Materials (15)	292.51	+0.5	15.45	7.29	7.71	291.05	287.41	0.00	0.00	0.00
21	CONSUMER GROUP (199)	239.47	+0.1	15.88	6.54	7.65	239.29	238.14	237.77	236.37	205.39
22	Brewers and Distillers (20)	263.64	−0.2	17.41	6.84	6.83	264.09	263.01	263.21	261.45	254.12
25	Food Manufacturing (23)	211.61	—	18.62	7.45	6.38	211.58	211.09	210.74	209.95	190.87
26	Food Retailing (14)	486.44	+3.2	9.64	3.19	12.26	471.30	465.31	461.97	457.25	294.18
27	Health and Household Products (7)	262.69	−0.7	10.09	5.43	11.79	264.75	264.07	258.29	256.83	196.46
29	Leisure (22)	349.52	−0.6	15.70	6.38	8.02	351.48	349.02	348.88	346.43	279.11
32	Newspapers, Publishing (12)	427.43	+0.2	22.84	6.86	5.72	426.37	424.94	424.05	421.85	387.23
33	Packaging and Paper (15)	113.24	−1.2	28.52	10.76	4.06	114.57	114.56	114.00	113.49	114.12
34	Stores (44)	248.29	−0.1	12.02	5.07	10.69	248.60	246.98	247.10	245.80	193.91
35	Textiles (21)	125.30	+0.1	20.54	10.79	6.36	125.17	124.93	123.67	124.07	125.69
36	Tobaccos (3)	200.69	+0.5	28.60	11.60	3.98	199.71	199.61	198.45	195.67	200.86
39	Other Consumer (18) ●	237.77	−0.1	15.37	8.38	8.26	238.08	238.14	0.00	0.00	0.00
41	OTHER GROUPS (78)	219.37	−0.5	18.16	7.79	6.57	220.58	219.84	219.02	217.73	188.18
42	Chemicals (15)	296.26	−1.0	19.88	8.97	5.87	299.29	297.64	296.03	293.78	282.30
44	Office Equipment (6)	100.57	−1.0	20.44	8.27	5.72	101.58	101.52	101.58	101.25	104.07
45	Shipping and Transport (12)	537.00	—	14.27	7.00	8.58	536.88	537.78	539.35	539.63	416.48
46	Miscellaneous (45)	266.52	—	16.77	6.42	7.35	266.60	265.80	264.42	262.82	217.86
49	INDUSTRIAL GROUP (483)	254.57	−0.2	15.82	6.42	7.67	254.96	253.44	252.55	250.89	208.97
51	Oils (12)	909.53	−1.5	26.40	5.78	4.22	923.71	928.53	923.78	936.03	670.56
59	500 SHARE INDEX	306.38	−0.5	18.27	6.27	6.45	307.84	306.81	305.61	305.04	245.56
61	FINANCIAL GROUP (118)	235.89	−0.4	—	5.68	—	236.74	234.75	233.37	231.77	179.69
62	Banks (6)	249.68	+0.1	40.97	6.83	2.92	249.46	246.86	246.39	245.64	216.53
63	Discount Houses (10)	293.11	+0.4	—	5.87	—	291.90	290.22	286.85	285.78	213.01
64	Hire Purchase (5)	197.62	—	12.31	5.29	10.97	197.62	197.30	197.04	193.65	165.22
65	Insurance (Life) (10)	228.25	−1.1	—	5.78	—	230.69	230.77	229.68	227.61	153.36
66	Insurance (Composite) (9)	146.96	−1.2	—	7.96	—	148.75	147.25	146.08	144.10	119.33
67	Insurance Brokers (9)	318.31	−0.4	14.47	7.28	9.46	319.51	319.56	318.59	316.52	271.64
68	Merchant Banks (13)	148.80	+0.1	—	5.20	—	148.72	148.21	146.22	144.09	87.51
69	Property (45)	449.82	−0.2	3.28	2.73	42.54	450.76	445.03	441.63	440.62	311.79
70	Miscellaneous (11)	171.47	+0.6	15.78	5.79	8.05	170.41	169.41	168.49	167.15	121.54
71	Investment Trusts (109)	283.29	+0.5	—	5.32	—	282.02	281.88	281.98	282.23	192.53
81	Mining Finance (3)	227.96	−0.2	14.39	5.88	8.28	228.46	227.95	227.95	230.24	173.55
91	Overseas Traders (20)	432.60	+0.4	11.66	6.79	10.40	430.79	428.39	425.66	426.69	333.11
99	ALL-SHARE INDEX (750)	292.11	−0.4	—	6.11	—	293.19	291.99	290.84	290.20	229.15

FIXED INTEREST PRICE INDICES

	British Government	Mon., Jan. 5	Day's change %	Fri., Jan. 2	xd adj. today	xd adj. 1981 to date
1	Under 5 years	107.50	+0.21	107.27	—	0.00
2	5-15 years	109.64	+0.22	109.40	—	0.00
3	Over 15 years	113.66	−0.21	113.90	—	0.00
4	Irredeemables	126.74	+0.01	126.73	—	0.00
5	All stocks	109.98	+0.06	109.91	—	0.00

	FIXED INTEREST YIELDS British Govt. Av. Gross Red.		Mon., Jan. 5	Fri., Jan. 2	Year ago (approx.)
1	Low	5 years	11.92	11.94	12.51
2	Coupons	15 years	11.92	11.94	12.57
3		25 years	11.92	11.94	12.74
4	Medium	5 years	13.41	13.51	14.70
5	Coupons	15 years	13.85	13.84	14.36
6		25 years	13.56	13.50	14.28
7	High	5 years	13.46	13.52	15.06
8	Coupons	15 years	14.07	14.06	14.89
9		25 years	13.79	13.73	14.60
10	Irredeemables		11.57	11.57	12.24

		Mon., Jan. 5 Index No.	Yield %	Friday Jan. 2	Wed. Dec. 31	Tues. Dec. 30	Mon. Dec. 29	Wed. Dec. 24	Tues. Dec. 23	Mon. Dec. 22	Year ago (approx)
15	20-yr. Red. Deb. & Loans (15)	52.13	†14.20	52.08	52.09	52.96	52.97	52.97	52.95	52.89	49.12
16	Investment Trust Prefs. (15)	50.98	13.17	50.98	50.99	51.35	51.35	51.35	51.35	51.35	46.45
17	Coml. and Indl. Prefs. (20)	67.71	13.29	67.71	67.71	67.99	67.95	67.98	67.63	67.63	61.24

† Redemption yield. Highs and lows record base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 25p. ● Corrected indices for January 2nd and December 31st.

RECENT ISSUES

EQUITIES

Issue Price p‡	Amount Paid Up	Latest Renunc. Date	1980 High	1980 Low	Stock	Closing Price p‡	+ or −	Div. P. or Amount	Times Covered	Gross Yield	P.E. Ratio
58	F.P.	5/2	335	308	✤Amer. Comm. Inds.	308	−10	—	—	—	—
§100	F.P.	5/2	£41½	£38½	✤Do. Notes 20%	£38½	−1½	Q 20%	—	20.8	—
610	F.P.	—	610	600	✤Cramphorn	610	...	16.5	2.1	3.9	17.7
503	F.P.	21/1	452	370	✤Dunbar Group £1	428	...	b6.2	4.4	2.1	15.6
§120	F.P.	5/2	222	152	✤Hadland J.	218	−4	u2.52	3.8	1.7	20.0
107½	F.P.	12/1	134	113	Independent Inv. 25p	125	−1	—	—	—	
70	F.P.	9/1	100	78	✤Midland Marts	97	−3	b5.75	2.0	5.5	15.0
100	F.P.	25/1	109	97	New Tokyo Inv Tst 50p	109	+1	—	—	—	—
50	F.P.	30/1	51	47	††Pennine	49	......	—	—	—	—
§25	F.P.	—	46	27	Phoenix Mining 25p	49	......	—	—	—	—
§125	F.P.	12/12	233	155	✤Scan Data	225		u2.0	2.5	1.8	46.6
148	F.P.	12/12	172	132	✤Thames Inv.& Secs.	134	−2	u5.18	1.2	5.5	20.8

FIXED INTEREST STOCKS

Issue price £	Amount Paid Up	Latest Renunc. Date	1980 High	1980 Low	Stock	Closing Price £	+ or −
‖	Nil	—	11pm	6pm	Allied London 8½% Cnv. Uns. Ln. 1999	6pm	−2
‖	F.P.	29/12	102½	96	Bell (Arthur) 9½% Cnv. Uns. Ln. 99-2001	96	−½
¶	F.P.	26/2	107¾	106½	Chester Waterworks 9% Red. Pref. 1985	106½	.....
100p	F.P.	28/1	103½p	102p	Comben 11.375% Cum. Red. Pref.	104	.....
¶	F.P.	26/3	107¾	106½	East Anglian Water 9% Red. Pref. 1985	107	.....
¶	F.P.	—	107½	106½	East Worcester 9% Red. Pref. 1985	107	.....
‖	F.P.	5/1	105	100	✤Energy Finance 8% Cnv. Uns. Ln. '95-2000	100	.....
¶	F.P.	26/2	105	104½	Essex Waterworks 8½% Red. Prf. 1985	104½	.....
£100	£50	30/4	46	44	Lon. Merchant Secs. 7½% Cv Uns Ln 2000-05	44½	.....
99	F.P.	23/3	100½	93¾	Mid-Sussex W'rw'ks 14% Red. Deb. '86-88	100¼	+½
‖	Nil	—	10pm	7pm	Paterson (R.) 11% Cum. Cnv. Prf.	10pm	.....
‡	F.P.	—	32	20½	S. Rhodesia 4½% '87-92 Asstd.	30	.....
**	F.P.	21/1	100p	97	Standard Industrial 11½% Pref	97	.....
‡	F.P.	—	338	268	Zimbabwe settlement annuity Reg.	338	+2

"RIGHTS" OFFERS

Issue Price p‡	Amount paid up	Latest Renunc. Date	1980 High	1980 Low	Stock	Closing price p‡	+ or −
30	F.P.	6/1 23/1	34½	32	Bremar Trust	34	.....
115	Nil	12/1 26/2	26pm	22pm	Brotherhood P.	26pm	.....
75	F.P.	22/12 21/1	93	79	E. Midland Allied Press A	85	+2
A$1.5	F.P.	24/11 15/12	80	55	ElderSmith GoldbroughM'rt	80	.....
5	F.P.	8/12 21/1	7	5	Grovebell	5	.....
210	F.P.	16/12 14/1	280	225	Hampton Gold Mining	278	−2
140	F.P.	19/12 30/1	178	154	KCA Intnl.	175	−2
25	F.P.	10/12 9/1	42	31	Kean & Scott	39	+3
25	F.P.	19/12 4/2	26½	25	L. K. Industrial	25	.....
$A1.05	F.P.	— —	75	32	North Kalgurli Mines	54	−1
25	Nil	21/1 13/2	½pm	½pm	Prestwich Parker	½pm	.....
87	F.P.	15/12 16/1	124½	106	Pritchard Services	124½	+3½
320	Nil	— —	31pm	26pm	Royal Insurance	26pm	.....
78	F.P.	15/12 22/1	95	91	Scapa	95	+1
60	Nil	9/1 13/2	14pm	7pm	Security Centres	14pm	+1
24¼	Nil	16/1 25/1	125pm	83pm	TNT	94pm	.....
145	Nil	19/1 16/2	46pm	29pm	Warren Plants	41pm	−4

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimate. *g* Assumed dividend and yield. *u* Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimate for 1979. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. p‡ Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Dealings under special Rule. ✤ Unlisted Securities Market. ‡‡ London Listing. ‡ Resulting from debt settlement scheme. ‡‡ Units comprising 125 A Ord. & 8 12½% Cum. Pref.

FINANCIAL TIMES STOCK INDICES

	Jan. 5	Jan. 2	Dec. 31	Dec. 30	Dec. 29	Dec. 24	A year ago
Government Secs.	68.85	68.77	68.59	68.66	68.75	69.06	64.5
Fixed Interest	70.54	70.54	70.44	70.44	70.57	70.75	65.45
Industrial Ord.	472.9	475.3	476.5	472.0	470.0	466.9	406.9
Gold Mines	410.2	405.8	407.5	408.1	441.5	441.5	303.1
Ord. Div. Yield	7.54	7.48	7.50	7.54	7.58	7.62	7.97
Earnings, Yld.% (full)	16.87	16.75	16.80	16.87	16.97	17.06	19.83
P/E Ratio (net) (*)	7.27	7.32	7.30	7.28	7.22	7.18	6.21
Total Bargains	17,584	9,151	15,774	15,188	11,330	6,971	19,958
Equity turnover £m.	—	32.63	48.47	71.27	46.87	40.99	98.17
Equity bargains total	—	6,674	9,740	10,686	7,296	4,730	14,787

10 am 476.4. 11 am 477.5. Noon [illegible]. 1 pm 473.4. 2 pm 473.0. 3 pm 473.2.
Latest Index 01-246 8026.
*Nil=5.71.
Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1980/81 High	1980/81 Low	Since Compil'n High	Since Compil'n Low
Govt. Secs.	72.54 (21/7)	63.85 (2/5)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	74.88 (24/7)	64.70 (10/3)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	515.9 (21/11)	406.9 (3/1)	558.6 (4/5/79)	49.4 (26/6/40)
Gold Mines	558.9 (22/9)	268.6 (18/6)	558.9 (22/9/80)	43.5 (26/10/71)

S.E. ACTIVITY

	Jan. 5	Jan. 2
Daily		
Gilt Edged	88.7	68.5
Industrials	64.2	38.6
Speculative	20.8	8.06
Totals	46.9	28.4
5-day Avrge.		
Gilt Edged	69.6	66.9
Industrials	49.3	48.0
Speculative	18.4	19.4
Totals	36.9	33.7

NEW HIGHS AND LOWS FOR 1980/81

The following shares quoted in the Share Information Service yesterday attained new Highs and Lows for 1980-81.

NEW HIGHS (52)

BRITISH FUNDS (10)
Treas. 3½pc '79-81 — Treas. 8½pc 1982
Treas. 9½pc 1981 — Exch. 9½pc 1982
Exch. 8½pc 1981 — Exch. 3pc 1983
Exch. 9½pc 1981 — Exch. 3pc '83 A
Treas. 8½pc '80-82 — Exch. 11½pc 1986

FOREIGN BONDS (1)
Japan 6pc '83-88

AMERICANS (1)
Richardson Merrell

BUILDINGS (3)
Aberdeen Cons. — Jones (Edward)
Jarvis (J.)

STORES (2)
Baker's Stores — Comet Radio

ELECTRICALS (2)
Rediffusion — Suter Electrical Dfd.

ENGINEERING (2)
Howden Group — Record Ridgway

FOODS (6)
Avana Group — Nurdin & Peacock
Bejam — Sainsbury (J.)
Northern Foods — Somportex

INDUSTRIALS (6)
Hanson Tst. — [illegible]
Do. 6½pc Cnv. '88-93 — Pritchard Services
Initial Services — Swire Pacific

LEISURE (2)
Horizon — Saga Holidays
Pleasurama

PAPERS (1)
Saatchi & Saatchi

SHIPPING (2)
Reardon Smith — Do. A

TEXTILES (3)
Hield Bros. — Toray
Hollas Group

TRUSTS (5)
[illegible] — M. & G. Hldgs.
[illegible] — Mercantile House
[illegible]

OIL (1)
[illegible]

OVERSEAS TRADERS (1)
[illegible]

MINES (3)
[illegible]

NEW LOWS (5)

STORES (1)
Freemans (Lon.)

INDUSTRIALS (2)
[illegible] — [illegible] Holdings

MINES (2)
[illegible] — Rand Min. Props.

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	[illegible]	28	21
Corpns. Dom. and Foreign Bonds	5	1	56
Industrials	262	182	886
Financial and Prop.	116	52	320
Oils	23	24	21
Plantations	3	2	19
Mines	41	46	78
Others	[illegible]	[illegible]	[illegible]
Totals	540	380	1,561

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

Frankfurt Trust Investment—GmbH
Neue Mainzer Strasse 74-76, D-6000 Frankfurt
FT-Interzins — DM17.23 — 40.69 +0.01 — —
Frankft. Effekt. Fd. — DM49.89 — 52.52 +0.07 — —

Free World Fund Ltd.
Butterfield Bldg., Hamilton, Bermuda.
NAV Nov. 28 — US$152.93 — —

G.T. Management Ltd.
Park Hse., 16 Finsbury Circus, London EC2
Tel: 01-628 8131. TLX: 886100
London Agents for:

Anchor 'B' Units	US$1.77	1.79	.....	1.21
Anchor Gilt Edge	£9.13	9.19	−0.04	13.82
Anchor Int. Fd.	US$8.66	8.86	.....	1.19
Anchor In. Jsy. Tst.	39.8	42.4	.....	2.83
Berry Pac Fd.	US$57.87		.....	0.95
Berry Pac Strlg.	£3.01	3.1512	.....	1.32
G.T. Asia Fd.	HK$19.32		.....	1.29
G.T. Asia Sterling	£24.52	25.57	.....	1.66
G.T. Australia Fd.	A$40.14	42.54	.....	0.82
G.T. Bond Fund	US$12.38		−0.66	10.09
G.T. Dollar Fd.	US$13.95		+0.17	1.08
G.T. Dir. (Strlg.) Fd.	14.51	15.11	+0.08	1.03
G.T. Invest. Fd.	US$17.69		+0.50	0.57
G.T. Japan Small Cos.	US$15.29		.....	—
Mariamne (STG) Fd.	£10.94	11.54	.....	3.15
G.T. Technology Fd.	US$23.80		.....	—
G.T. Pacific Fd.	US$15.30		−0.06	2.28
G.T. Asean Growth Fd.	US$10.23	10.99	+0.17	0.48

Gartmore Invest. Ltd. Ldn. Agts.
2, St. Mary Axe, London, EC3. 01-283 3531.

Gartmore Fund Managers (C.I.) Ltd. (a) (h)
41, Broad St., St. Helier, Jersey. 0534-73741
Gilt Fund (Jersey) — 91.0 — 96.0 — ..... — 12.75

Gartmore Fund Managers (Far East) Ltd. (a)(h)
1503 Hutchison Hse., 10 Harcourt Rd., H. Kong

Australian Tst.	US$15.23	16.439	.....	—
HK & Pac. U. Tst.	HK$6.351	6.835	.....	2.60
Japan Fd.	US$22.65	23.740	+1.050	0.60
N. American Tst.	US$22.72	24.463	.....	1.00
Intl. Bond Fund	US$11.418	12.028	.....	9.30

Gartmore Fund Managers (IoM) (a)
P.O. Box 32, Douglas, IoM. 0624 23911
Gartmore Intl. Inc — 21.7 — 23.1 — ..... — 13.40
Gartmore Intl. Grth. — 138.9 — 147.8 — ..... — 0.50

Assicurazioni GENERALI S.p.A.
P.O. Box 132, St. Peter Port, Guernsey, C.I.
Sterling Managed Fd. — £100.70 — ..... — —

Guinness Mahon Fd. Mgrs. (Guernsey)
PO Box 188, St. Peter Port, Guernsey. 0481 23506.
Intl. Fund — $19.98 — 20.74 — ..... — 10.10
Prices at Dec. 17. Next dealing Jan. 29.

Hambro Pacific Fund Mgmt. Ltd.
2110, Connaught Centre, Hong Kong
Far East Dec. 24 — HK$22.69 — 23.90 — ..... — —
Japan Fund Jan. 2 — US$9.82 — 10.31 — ..... — —

Hambros Fd. Mgrs. (C.I.) Ltd.
P.O. Box 86, Guernsey. 0481-26521

Capital Reserve Fd.	£12.54	12.56	.....	0.22
C.I. Fund	191.3	203.7	.....	3.89
Special Sits. Fund	62.7	64.7	.....	2.70
Intnl. Bond	US$107.02	110.74	.....	8.38
Int. Equity	US$17.36	17.90	.....	0.84
Int. Svgs. 'A' $US	1.22	1.26	.....	—
Int. Svgs. 'B'	1.79	1.85	.....	—

Prices on Dec. 31. Next dealing Jan. 7.
†Excludes initial charge on small orders.

Henderson Admin. (Guernsey) Ltd.
7 New St., St. Peter Port, Guernsey 0481 26541/2
American (US cents) — 133.6 — 140.6 — ..... — —

Henderson Baring Group
601, Gloucester, 11, Pedder, Hong Kong

Japan Fd. Dec. 24	US$26.63	27.78	.....	—
Japan Tech. Dec. 22	US$15.905		.....	—
Malay Singp. Dec. 30	15.417		.....	—
Pacific Fd. Dec. 31	US$18.216		+0.338	—
Bond Fd. Dec. 29	US$10.625		.....	9.00

PO Box 71, 7 New St., Peter Port, Guernsey, CI.
Gilt Fd.† — 19.39 — 9.49 — ..... — 13.22
*Inclusive of Preliminary charge. †Weekly dealings.

Hill-Samuel & Co. (Guernsey) Ltd.
8 LeFebvre St., St. Peter Port, Guernsey, C.I.
Guernsey Tst. — 188.8 — 202.0 — +1.6 — 3.29

Hill Samuel Invest. Mgmt. Intnl.
P.O. Box 63, Jersey. 0534 27381

HS Channel Is. Fd.	141.2	150.9	.....	3.00
H.S. Fixed Int. Fd.	95.0	100.0	.....	12.00

Box 2622, Berne, Switzerland. Telex 33425.

H S Overseas Fd.	US$24.79	25.78	+0.26	—
CSF Fd. (Acc.)	SF17.99	18.37	+0.09	—
Crossbow Fd.	SF5.84	5.95	+0.04	—
ITF Fd. (Acc.)	US$14.09	14.35	+0.09	—

N.V. Interbeheer
P.O. Box 526, Delft, Holland
Esmeralda (Iss. Price) — DF62.25 — ..... — 1.61

International Pacific Inv. Mgmt. Ltd.
P.O. Box R237, 56, Pitt St., Sydney, Aust.
Javelin Equity Tst. — A$3.62 — 3.73 — ..... — 3.72

Jardine Fleming & Co. Ltd.
46th Floor, Connaught Centre, Hong Kong

Jardine J'pn. Fd.	Y1,976		.....	0.8
J F. Japan Small Co.	Y11,151		.....	—
Jardine Estn. Tst.	HK$809.77		.....	1.20
Intl. Pac. Secs. (Inc.)	HK$23.08		.....	0.8
Do. (Accum.)	HK$23.93		.....	—
Jardine Flem Int.	HK$25.73		.....	0.40
Jardine S.E.A.	US$36.46		.....	1.30
J.F. Cur.&Bd.Fd. (Inc.)	US$11.01		.....	7.10
Do. (Accum.)	US$11.86		.....	—
Japan & Pacific CnvTst	US$11.12		.....	6.3

NAV Dec. 15.
London Agents: Robt. Fleming & Co. Tel: 01-638 5858.

Leopold Joseph & Sons (Guernsey)
Hirzel Ct., St. Peter Port, Guernsey. 0481-26648.
L.J. Sterling Fund — £12.59 — 12.60 — +0.03 — —

Kemp-Gee Management, Jersey Ltd.
1 Charing Cross, St. Helier, Jersey 0534 73741
Capital Fund — 145.1 — 149.5 — ..... — —
Income Fund — 50.6 — 52.2 — ..... — 11.46
Gilt Bond — £1.015 — 1.069 — ..... — —

Keyser Ullmann Ltd.
25, Milk Street, EC2V 8JE. 01-606 7070
Central Assets — £183.59 — 183.64 — +0.37 — —

King & Shaxson Mngrs.
1, Charing Cross, St. Helier, Jersey. (0534) 73741
Valley Hse., St. Peter Port, Grnsy. (0481) 24706
1 Thomas Street, Douglas, I.O.M. (0624) 4856

Gilt Fund (Jersey)	8.29	8.34	.....	13.00
Gilt Trust (I.o.M.)	94.2	96.8	.....	13.00
Gilt Fnd. Guernsey	8.36	8.40	.....	13.00
Intl. Govt. Secs. Tst.				
First Sterling	£16.35	16.44	.....	—
First Intl.	228.24	228.86	.....	—

Kleinwort Benson Group
20, Fenchurch St., EC3. 01-623 8000
Guernsey Inc. · Do. Accum. · K.B. Eurobond Fd. · K.B. Far East Fd. · K.B. Gilt Fund · K.B. Int. Bd. Fd. Inc. · K.B. Int. Bd. Fd. Acc. · K.B. Intl. Fund · K.B. Japan Fund · [illegible]

[illegible]

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. Ltd.

Allen Harvey & Ross Unit Tst. Mngrs.

Allied Hambro Ltd.

Anderson Unit Trust Managers Ltd.

Ansbacher Unit Mngt. Co. Ltd.

Arbuthnot Securities Ltd.

Archway Unit Tst. Mgrs. Ltd.

Barclays Unicorn Ltd.

Baring Brothers & Co. Ltd.

Bishopsgate Progressive Mgmt. Co.

Bridge Fund Managers

Britannia Trust Management

The British Life Office Ltd.

Brown Shipley & Co. Ltd.

Canada Life Unit Tst. Mngrs. Ltd.

Capel (James) Mngt. Ltd.

Carr, Sebag Unit Trust Managers

Charities Charities N/R Fund

Charities Official Invest. Fund

Chieftain Trust Managers Ltd.

Confederation Funds Mgt. Ltd.

Crescent Unit Tst. Mgrs. Ltd.

Discretionary Unit Fund Managers

E. F. Winchester Fund Mngt. Ltd.

Emson & Dudley Tst. Mngmnt. Ltd.

Equity & Law Un. Tr. M.

Fidelity International Management Ltd.

James Finlay Unit Trust Mngt. Ltd.

Framlington Unit Mgt. Ltd.

Friends' Provdt. Trust Mgrs.

G.T. Unit Managers Ltd.

G. & A. Trust

Gartmore Fund Managers

Gibbs (Antony) Unit Tst. Mgs. Ltd.

Govett (John)

Grieveson Management Co. Ltd.

Guardian Royal Ex. Unit Mgrs. Ltd.

Henderson Administration

Hill Samuel Unit Tst. Mgrs.

Investment Intelligence Ltd.

Key Fund Managers Ltd.

Kleinwort Benson Unit Managers

L & C Unit Trust Management Ltd.

Legal & General (Unit Tst. Mngrs.) Ltd.

Leonine Administration Ltd.

Lloyds Bk. Unit Tst. Mngrs. Ltd.

Lloyd's Life Unit Tst. Mngrs. Ltd.

Local Authorities' Mutual Invest. Trust

M & G Group

Manulife Management Ltd.

Mayflower Management Co. Ltd.

Mercury Fund Managers Ltd.

Midland Bank Group Unit Trust Managers Ltd.

Minster Fund Managers Ltd.

MLA Unit Trust Mngmt. Ltd.

Murray Johnstone U.T. Mgmt.

Mutual Unit Trust Managers

National Provident Inv. Mngrs. Ltd.

National Westminster

NEL Trust Managers Ltd.

Northgate Unit Trust Managers Ltd.

Norwich Union Insurance Group

Pearl Trust Managers Ltd.

Pelican Units Admin. Ltd.

Perpetual Unit Trust Mngmt.

Practical Invest. Co. Ltd.

Provincial Life Inv. Co. Ltd.

Prudl. Portfolio Mngrs. Ltd.

Quilter Management Co. Ltd.

Reliance Unit Mgrs. Ltd.

Ridgefield Management Ltd.

Rothschild Asset Management

Rowan Unit Trust Mngt. Ltd.

Royal Tst. Can. Fd. Mgrs. Ltd.

Save & Prosper Group

Schroder Unit Trust Managers Ltd.

Scotbits Securities Ltd.

Scottish Equitable Fnd. Mgrs. Ltd.

Security Selection Ltd.

Stewart Unit Tst. Managers Ltd.

Sun Alliance Fund Mngt. Ltd.

Target Tst. Mngrs. Ltd.

Tower Unit Trust Mngt. Ltd.

Trades Union Unit Tst. Managers

Transatlantic and Gen. Secs. Co.

Tyndall Managers Ltd.

TSB Unit Trusts

Ulster Bank

Unit Trust Account & Mgmt. Ltd.

INSURANCE PROPERTY BONDS

Abbey Life Assurance Co. Ltd.

Albany Life Assurance Co. Ltd.

AMEV Life Assurance Ltd.

Barclays Life Assur. Co. Ltd.

Black Horse Life Ass. Co. Ltd.

Canada Life Assurance Co.

Cannon Assurance Ltd.

Capital Life Assurance

Charterhouse Magna Gp.

Chieftain Assurance Funds

City of Westminster Assurance

Commercial Union Group

Confederation Life Insurance Co.

Cornhill Insurance Co. Ltd.

Credit & Commerce Insurance

Crown Life

Crusader Insurance Co. Ltd.

Eagle Star Insur./Midland Assur.

Equity & Law Life Ass. Soc. Ltd.

Equity & Law (Managed Funds) Ltd.

Family Assurance Society

Assicurazioni GENERALI S.p.A.

General Portfolio Life Ins. C. Ltd.

Growth & Sec. Life Ass. Soc. Ltd.

Guardian Royal Exchange

Hambro Life Assurance Limited

Hearts of Oak Benefit Society

Henderson Administration

Hill Samuel Life Assur. Ltd.

Imperial Life Ass. Co. of Canada

Irish Life Assurance Co. Ltd.

King & Shaxson Ltd.

Langham Life Assurance Co. Ltd.

Legal & General (Unit Assur.) Ltd.

Legal & General Prop. Fd. Mgrs. Ltd.

Life Assur. Co. of Pennsylvania

Lloyds Life Assurance

London A'deen & Nthn. Mtl. Assur. Ltd.

London Indemnity & Gnl. Ins. Co. Ltd.

London Life Linked Assur. Ltd.

The London & Manchester Ass. Gp.

M & G Group

Manufacturers Life Insurance Co.

Merchant Investors Assurance

NEL Pensions Ltd.

NPI Pensions Management Ltd.

New Zealand Ins. Co. (UK) Ltd.

Norwich Union Insurance Group

Phoenix Assurance Co. Ltd.

Planned Savings Group

Prop. Equity & Life Ass. Co.

Property Growth Assur. Co. Ltd.

Providence Capital Life Assc. Co. Ltd.

Provincial Life Assurance Co. Ltd.

Prudential Pensions Limited

Reliance Mutual

Rothschild Asset Management

Royal Insurance Group

Save & Prosper Group

Schroder Life Group

Scottish Widows' Group

Skandia Life Assurance Co. Ltd.

Standard Life Assurance Company

Sun Alliance Fund Mangmt. Ltd.

Sun Alliance Linked Life Ins. Ltd.

Sun Life of Canada (UK) Ltd.

Sun Life Unit Assurance Ltd.

Target Life Assurance Co. Ltd.

Transinternational Life Ins. Co. Ltd.

Trident Life Assurance Co. Ltd.

Tyndall Assurance/Pensions

Vanbrugh Life Assurance

Vanbrugh Pensions Limited

Welfare Insurance Co. Ltd.

Windsor Life Assur. Co. Ltd.

OFFSHORE & OVERSEAS FUNDS

Albany Fund Management Limited

Alexander Fund

Allen Harvey & Ross Inv. Mgt. (C.I.)

Alliance International Dollar Reserves

Arbuthnot Securities (C.I.) Limited

Bank of America International S.A.

Banque Bruxelles Lambert

Barbican Managers (Jersey) Ltd.

Barclays Unicorn International

Bishopsgate Commodity Ser. Ltd.

Bishopsgate Progressive Ltd. Agents

Bridge Management Ltd.

Britannia/Schlesinger

Brown Shipley Tst. Co. (Jersey) Ltd.

Butterfield Management Co. Ltd.

Capital Asset Managers Ltd.

Capital International Fund S.A.

Charterhouse Japhet

Clive Investments (Jersey) Ltd.

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Craigmount Fund Mgt. (Jersey)

DWS Deutsche Ges. F. Wertpapiersp

Delta Group

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Dreyfus Intercontinental Inv. Fd.

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Continued on previous page

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BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1980-81 High	Low	Stock	Price £	+ or —	Yield Int.	Red.
98½	90¾	Treasury 3½pc 1979-81	98½	+⅛	3.53	13.00
99⅛	93⅜	Treasury 9¾pc 1981‡‡	99⅛	+⅛	9.83	12.82
97¾	91¼	Exch. 8¼pc 1981	97¾	+⅛	8.43	13.74
97⅞	92¼	Exch. 9½pc 1981	97⅞xd	+⅛	9.70	13.66
94	89½	Exch. 3pc 1981	94	+⅛	3.19	13.28
99½	96½	Treas. Variable '81‡‡	99¼	−⅛	13.59	14.36
100⅛	95⅛	Exch. 12¾pc 1981‡‡	99½	+⅛	12.75	12.75
96⅛	88½	Treas. 8½pc '80-82‡‡	96⅛xd	+⅛	8.64	12.74
92¼	82½	Treasury 3pc '82‡‡	92⅛	+⅛	3.25	10.67
102⅜	96⅝	Treasury 14pc '82‡‡	100⅛	+⅛	13.86	13.08
98⅜	94¼	Treas. Variable '82‡‡	98⅜	−⅛	13.66	14.44
94⅛	86⅛	Treasury 8¼pc '82	94⅛xd	+¼	8.76	12.71

Five to Fifteen Years

Over Fifteen Years

Undated

INTERNATIONAL BANK

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

1980-81 High	Low	Stock	Price £	+ or —	Yield Int.	Red.
92¼	82½	Aust. 5½pc '81-82	92¼	......	6.06	13.63
85¼	72½	Do. 6pc 1981-83	83½	......	7.22	13.19
67¾	58	N.Z. 7¼pc 1988-92	63¾	......	11.36	13.55
82¾	72	Do. 7½pc '83-86	78¼	......	9.62	13.30
96¾	88	Sth. Africa 9½pc '79-81	96½	......	10.01	16.95
160	95	S. Rhod. 2½pc Non-Ass.	115	......	—	—
49	31	Do. 3½pc 80-85 Assd.	48	......	7.56	22.82
32	20½	Do. 4½pc 87-92 Assd.	30	......	15.00	22.20

LOANS

Public Board and Ind.

Financial

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Australian

1980-81 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Yld Gr's
37	21	Acmex 50c	33	......	02.5c	—	3.8
28	12	ACM 20c	23	......	—	—	—
*199	46½	Bond Corp.	145	—5	07.5c	1.9	2.6
155	87	Bougainville I Kina	102	+2	[illegible]	1.0	13.1
*350	221	CRA 50c	302	......	1015c	2.1	2.4
25	11½	Canada Northwest	24	+1	—	—	—

Tins

Copper

Miscellaneous

1980-81 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Yld Gr's
97	43	Sarymin	55	+3	—	—	—
17	12	Burma Mines 10p	15	......	0.62	1.1	6.0
445	[illegible]	Colby Res. Corp.	270	......	—	—	—
502	240	Cons. Murch. 10c.	250	......	1030c	1.8	6.9
160	80	††Hemerdon 10c.	85	......	—	—	—
225	35	Highwood Res.	170	+5	—	—	—
585	325	Northgate C$1	360	......	—	—	—
*485	321	R.T.Z.	407	......	116.0	3.2	5.6
£115	£100	[illegible]	£100½	......	09½%	—	f8.7
136	91	††SPO Minerals 10p	136	......	—	—	—
58	26	Sabina Inds. C$1	44	—1	—	—	—
51	31	††SWCM 10p	35	......	—	—	—
650	411	Tara Exptn. $1	505	+10	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ○ "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◊ Figures or report awaited.
- ☆ USM; *not listed on Stock Exchange and company not subjected to* same degree of regulation as listed securities.
- †† Dealt in under Rule 163(2)(a); not listed on any Stock Exchange and not subject to any listing requirements.
- ‡‡ Dealt in under Rule 163(3).
- ☆ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ☆ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ** Regional price.
- ‖ No par value.

§§ *Yield based on assumption Treasury Bill Rate stays unchanged until* maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. *q Earnings based on preliminary figures. s Dividend and yield exclude* a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B *Preference dividend passed or deferred. C Canadian. E Minimum tender* price. F Dividend and yield based on prospectus or other official estimates for 1981-82. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1980-81. K Figures based on prospectus or other official estimates for 1979-80. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1981. P Figures based on prospectus or other official estimates for 1980-81. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xP ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

			IRISH		
Albany Inv. 20p	39	......	Conv 9% '80/82	£93⅝	......
Bertam	12	......	Nat. 9¼% 84/89	£74¼xd	—¼
Bdg'wtr. Est. 50p	525	......	Fin. 13% 97/02	£85⅝	—½
Craig & Rose £1	£11¼	......	Alliance Gas	52	......
Fife Forge	39	......	Arnott	215	......
Finlay Pkg. 5p	21	......	Carroll (P.J.)	77xd	+1½
Graig Ship. £1	522	+1	Concrete Prods.	83	......
Higsons Brew	67	......	Helton (Hldgs.)	33	......
Holt (Jos.) 25p	315	......	Ins. Corp.	320	......
I.O.M. Stm. £1	162	......	Irish Ropes	33xd	......
Pearce (C. H.)	635	......	Jacob	34	......
Peel Mills	60	+3	T.M.G.	24½	—½
Sheff. Refrshmt	92	......	Unidare	82	......
Smaill (Wm.)	135	......			

OPTIONS

3-month Call Rates

Grand Met.	14	Tesco	5½	Mines	
G.U.S. 'A'	48	Thorn	28		
Guardian	32	Trust Houses	18	Charter Cons.	30
G.K.N.	16	Tube Invest.	21	Cons. Gold	55
Hawker Sidd	20	Unilever	50	Lonrho	10
House of Fraser	15	U.D.T.	5	Rio T. Zinc	45

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 26

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £500 per annum for each security

FINANCIAL TIMES

Tuesday January 6 1981

Union law reform review complete

BY RICHARD EVANS AND CHRISTIAN TYLER

THE GOVERNMENT has completed its promised review of trade unions' legal immunities and will publish a Green Paper probably early next week.

Every effort will be made to present the document—probably the widest-ranging since the 1968 Donovan Report—as a non-partisan stimulus to public debate in which the unions themselves will be encouraged to join.

The lengthy document will make no recommendations for further trade union legislation, and none is expected, at least in this session of Parliament.

But the timing of the review, which comes hard on the heels of the controversial Employment Act, 1980, and its inclusion of ideas for further restricting the scope of lawful industrial action, mean it could get a dusty reception from the TUC.

Its publication could also reopen arguments inside the Conservative Party on trade union reform and the need for much tougher legislation.

Ironically, it could simultaneously give Mr. Michael Foot, Opposition Leader, the opportunity he needs to try to unify the Labour movement against Conservative Government attacks on unions.

For these reasons Mr. James Prior, Employment Secretary, intends to have a lengthy period of consultation lasting into the summer. He is looking for consensus for a permanent framework of labour law, whose elements could be gradually enacted in the indefinite future. The Green Paper has distinctly grey edges.

It will consider whether trade unions themselves should be vulnerable to suits for damages if their members step over the limits on industrial action. At present only individuals may be sued by employers.

It will also consider whether legal immunity for strike action (in practice, immunity from damages for breach of commercial contract) should be conditional on a prior ballot of the strikers.

It will examine the arguments for and against strengthening by law the enforceability of employer-union agreements. Legally-binding wage agreements were encouraged, with virtually no success, by the Conservatives' 1971 Industrial Relations Act. This time the accent may be more on strengthening agreements covering procedures for settling disputes.

The most revolutionary—at least in legal terms—of the Green Paper's suggestions is that trade union law might be entirely rewritten, substituting positive rights for negative immunities. Continental law is quoted in support of the change.

Among arguments for wholesale revision is that it would make the present complicated and often-amended statutes much clearer to employers and unions alike.

Advocates of the change also argue that it could dampen the growing hostility felt by unions for the courts: judges would be weighing more obviously the rights of unionists against those of employers.

Many Tory backbenchers on the party's Right are still determined to maintain maximum pressure on Mr. Prior to introduce further legislation, to take advantage of their parliamentary majority and widespread union unpopularity.

Their intention is to make sure that sufficient pressure is exerted at the next party conference in October to ensure legislation in the next session.

Inside the Cabinet even hawkish Ministers are prepared to hold back to see what the consultations come up with, and to make a further assessment of the public mood in the autumn. The Green Paper has been passed without any change of substance.

If there is a relatively peaceful winter on the industrial front and the recently-enacted legislation on picketing, the closed-shop and union ballots is seen to be operating reasonably effectively, Mr. Prior is expected to be able to fend off demands for tougher legislation.

As the Government will be at the halfway point of the Parliament in the autumn, the hawks realise that the last chance of tough legislation will be next year. It is unlikely that the Government would introduce such a divisive Bill as a General Election approached.

Nearly £10m allocated to State buying policy

By John Elliott, Industrial Editor

INDUSTRIAL AID totalling nearly £10m has been allocated by the Government to the public-purchasing policy developed in the past year by Sir Keith Joseph, Industry Secretary.

The first plans to be backed under the policy are being completed. They are likely to include a "peoplemover" transporter at Birmingham Airport and a pilot viewdata installation. This will be in the Industry Department's own premises. It will show how the first step towards an electronic office can be used by a large bureaucracy.

The aim of the policy, which has wider implications than a simple Buy British campaign, is to encourage public-sector agencies to use their orders, totalling £22bn a year, to improve the technological development and international competitiveness of UK products.

The £10m aid will be used mainly for development projects like the Birmingham transporter. This will travel on a magnetically levitated track and will be developed by a consortium assisted by the Industry Department.

The aid was included in the £50m extra funds allocated for industrial investment and for research and development announced by Sir Geoffrey Howe, Chancellor of the Exchequer, in his November package.

It will be awarded by the Industry Department to public-sector customers who place development projects for products likely to be sold overseas as well as in the UK. Customers who provide "shop-windows," in which new products can be displayed in use to would-be foreign buyers, will also receive support.

In the past year the Industry Department has been persuading the Treasury and other Whitehall Departments to adopt a flexible approach to the subject of public purchasing and to loosen existing "value-for-money" criteria so that the benefit of an order to British industry in the long term is taken into account when international tenders for projects are invited or examined.

Criteria on which Government departments are to operate are being drawn up to emphasise this long-term approach. Ministers are expected to approve them in the next few weeks.

Ministers are emphasising that the policy will not contravene international trade treaties, including stricter GATT rules on public procurement which came into force at the start of this month.

The Government, however, is keen to see public agencies do their best to brief UK companies on their requirements and to arrange their tenders and the sizes of their contracts to give UK companies the maximum permissible chance to win orders.

Sir Keith looks for winners, Page 16

Italy rejects Red Brigades deal

BY JAMES BUXTON IN ROME

THE ITALIAN Government yesterday rejected an offer from the terrorist Red Brigades to trade the life of the kidnapped magistrate Sig. Giovanni d'Urso for concessions to jailed members of the Brigades.

The Brigades said on Sunday that they would spare their hostage if terrorists in top-security prisons were allowed to state their political views freely on television, radio and in the leading newspapers.

The Government is facing possibly the most difficult challenge from Left-wing extremists since the kidnapping and murder in 1978 of Sig. Aldo Moro, a former prime minister. It said it was doing all it could to save Sig. d'Urso's life, but acceptance was out of the question.

Sig. Adolfo Sarti, Minister of Justice, addressing a committee of the specially recalled Senate, stressed the gravity of the present wave of terrorism, which has included a revolt in a top-security prison holding Red Brigades members and the assassination on New Year's Eve of Gen. Enrico Galvaligi, a senior officer responsible for prison security.

"We are in the presence of a new wave of violence full of particularly threatening aspects," Sig Sarti told the committee. It was concentrated ruthlessly on a few carefully selected targets with the aim of "annihilating the judicial structure of the country."

Demands have been aimed at undermining the prison service — with which Sig. d'Urso has been closely concerned — and weakening the Government's legal powers for dealing with terrorism. Recent operations, however, have had narrower aims than previous offensives, and have been launched after a period during which Left-wing extremism has been in retreat.

Sig. Angelo Sanza, Undersecretary at the Justice Ministry, told the Senate that Gen. Galvaligi did not have an escort. There were too many security officials whose names were known to terrorists for it to be practical to guard them and it was against military ethics.

This appeared to contradict an earlier report that the general dismissed his escort on the afternoon of his death so that they could celebrate New Year's Eve.

Belgium to face EEC censure on steel policy

By Giles Merritt in Brussels

THE BELGIAN Government has been taken to task by the European Commission over alleged irregularities in its methods of financing its steel industry. It could face legal action in the Community's Court of Justice in Luxembourg.

Following a Commission review of EEC national aids and subsidies to steel, Belgium has been singled out as having overstepped the guidelines agreed by the Council of Ministers just over a year ago.

It is also understood that the French and West German Governments have been asked to "clarify" their aid to steel producers. Measures proposed by the Luxembourg authorities to aid Arbed, the Grand Duchy's main steelmaker, may also contravene the Community agreement.

Belgium's alleged infringements include granting emergency aid before telling the Commission, and giving financial support to new installations which could aggravate the overcapacity in the EEC.

An emergency meeting of Belgium's inner Cabinet—the Comité de Politique Générale—presided over by M. Wilfried Martens, the Prime Minister—yesterday examined the threat that the Commission's firm line may pose to the country's 1979-1983 five-year rescue and restructuring programme.

The Belgian Government has until January 18 to reply to the Commission's formal objections, but is expected to open negotiations earlier with the EEC's industry and competition authorities.

EEC Commission officials pointed out yesterday that the procedure now embarked upon under Article 93 of the Rome Treaty governing national aids is unprecedented.

EEC call for fewer steel imports, Page 6
French farm aid queried, Page 2

UK reserves fall $713m after foreign debt repayments

BY DAVID MARSH

BRITAIN'S gold and foreign exchange reserves fell $713m last month to $27.48bn, mainly because of the repayment of a further large part of public sector foreign debt.

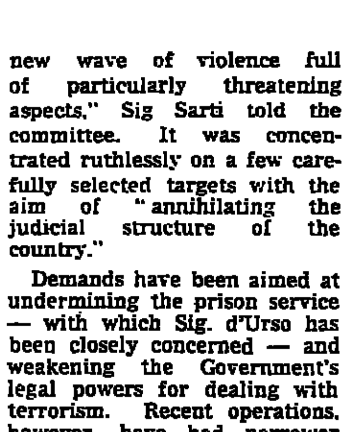
Leaving aside the effect of the repayment, as well as fresh public sector foreign borrowing, the reserves showed an underlying rise of $38m in December.

Overall, the reserves increased in 1980 by $4.94bn, largely reflecting last year's revaluation of Britain's gold reserves and over $2.5bn net foreign currency inflow into sterling.

In 1979, the reserves increased by $6.84bn.

The 1980 increase took place despite substantial repayments of overseas borrowings, carried out in line with the Government's commitment to reduce Britain's overall foreign debt profile.

In December the Government repaid ahead of schedule the remaining $250m of the $1.5bn



Eurodollar credit raised by the Labour administration in February 1977. The Treasury announced in the summer its intention to make early repayment of the loan.

The Government also made the normal end-of-year repayments, amounting to $124m, of long-term post-war loans from the U.S. and Canada.

Public sector bodies, led by British Gas, the Electricity Council, the National Water Council and British Steel, repaid a total $447m of overseas loans.

On the borrowing side, the reserves were bolstered last month by $70m through new loans raised mainly by British Airways and the National Water Council.

The relatively small underlying rise in the reserves in December—in previous months the underlying increase had been about $200m a month on average—indicates only modest Bank of England foreign exchange intervention at the end of the year.

But, the scale of the underlying increase in 1980 as a whole showed the extent to which the Bank had to intervene to buy foreign exchange to smooth sterling's 12 per cent appreciation against major currencies last year.

Continued from Page 1

U.S. interest rates

almost a full percentage point lower, at around 13.45 per cent.

The stock market was also encouraged by falling interest rates and the Dow Jones industrial average had surged by more than 17 points to over 990 by mid-afternoon.

The Fed's activities in the credit markets yesterday suggested to investors that the Central Bank is happy to see the prime and other short term rates drop at least a couple of percentage points. But recent comments by Fed governors suggest that it will not allow rates to slide as fast after the recent peak as they did after the mid-April peak last year.

Mr. Lyle Gramley, a member of the Fed, was quoted in yesterday's New York Times as saying that he would have preferred to have seen a less steep decline in interest rates in the second quarter of last year, something which might have helped avoid the tremendous pressure in the final quarter of the year.

The decline in U.S. banks' prime rates yesterday led to a sharp weakening of the dollar on the foreign exchanges. Both sterling and the yen turned in firm performances, while the Deutsche Mark also recovered part of its recent losses.

Sterling rose to a two-month high of $2.4165 at the close in London, up 3.5 cents from Friday's finishing level.

The yen became firmer at less than Y200 to the dollar for the first time since February, 1979. It finished at Y199.25, against Y202.50 on Friday.

Weather

UK TODAY

LOW pressure moving slowly east. Occasional rain, sleet or snow.

E. Anglia, E., N.E. and Central N. England Borders, E. Scotland, Central Highlands, Orkney, Shetland

Mostly cloudy, some rain, sleet or snow. Max 3C (37F).

Elsewhere

Some rain or snow with bright intervals. Max 8C (46F).

Outlook: Milder. Occasional rain spreading from N.W.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	13	55	London	S	4	39
Algiers	C	16	61	L. Ang.†	F	14	57
Amsdm.	F	3	37	Luxmbg.	F	1	34
Athens	C	16	61	Luxor	S	20	68
Bahrain	S	20	68	Madrid	S	9	48
Barclna.	S	13	55	Majorca	F	13	55
Beirut	F	16	61	Malaga	S	16	61
Belfast	F	0	32	Malta	F	15	59
Belgrd.	C	2	36	M'chstr.	C	1	34
Berlin	C	1	34	Melbne.	C	21	70
Biarritz	C	8	46	Miami†	F	8	46
Bmghm.	S	3	37	Milan	S	10	50
Blackpl.	F	4	39	Montrl.†	C	−19	−2
Bordx.	S	7	45	Moscow	C	−5	23
Boulgn.	F	3	37	Munich	C	−1	30
Bristol	F	5	41	Nairobi	F	27	81
Brussels	S	3	37	Naples	S	11	52
Budpst.	C	2	36	Nwcstl.	C	1	34
Cairo	S	17	63	N York†	F	−12	10
Cardiff	S	3	37	Nice	S	13	55
Cape T.	S	23	73	Nicosia	F	17	63
Chicg.†	F	−19	−2	Oporto	S	11	52
Cologne	C	3	37	Oslo	S	−11	12
Cpnhgn.	C	−2	28	Paris	S	4	39
Corfu	S	13	55	Perth	S	35	95
Denver†	F	−2	28	Prague	F	−1	30
Dublin	S	4	39	Reykjvk.	C	−3	27
Dbrvnk.	C	8	46	Rhodes	C	15	59
Ednbgh.	C	0	32	Rome	S	12	54
Faro	S	13	55	Salzbrg.	Sn	−1	30
Florence	S	10	50	S'ciscot†	F	6	43
Frankft.	C	3	37	Singapr.	R	25	77
Funchal	C	17	63	Stckhlm.	F	−11	12
Geneva	S	2	36	Strasbg.	F	4	39
Gibrltr.	S	16	61	Sydney	C	23	73
Glasgow	C	1	34	Tangier	C	15	59
G'rnsey	C	6	43	Tel Aviv	S	16	61
Helsinki	S	−12	10	Tenerife	F	12	54
H Kong	S	18	64	Tokyo	C	7	45
Innsbk.	Sn	−1	30	T'ronto†	F	−18	0
Invrnss.	C	0	32	Tunis	S	16	61
I o Man	F	5	41	Valencia	S	17	63
Jersey	C	7	45	Venice	S	6	43
Jo'burg	C	24	75	Vienna	S	2	36
L. Pims.	C	18	64	Warsaw	C	−3	27
Lisbon	S	10	50	Zurich	C	−18	0
Locarno	C	7	45				

C—Cloudy. F—Fair. R—Rain. S—Sunny. Sn—Snow.
† Noon GMT temperatures.

Montagu shifts towards international role

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

SAMUEL MONTAGU, the merchant bank, is to step up its activities in international banking with organisational changes announced yesterday by Mr. Staffan Gadd, its new chief executive.

The changes will put two outsiders on the board of the bank. Mr. David Potter, 36, presently a managing director of Credit Suisse First Boston, and Mr. Derek Hughes, 48, deputy chief executive of Scandinavian Bank. They will join Samuel Montagu, as managing directors, next month.

Mr. Gadd's appointment from outside is known to have upset some of the bank's senior staff. He left Scandinavian Bank in July, where he was chief executive for ninety years.

But there was satisfaction at Samuel Montagu at the news of two further outside appointments, which it is thought will strengthen the bank significantly, particularly in the international bond-issuing business.

Mr. Potter will head a new division responsible for marketing and arranging new issues in the international capital markets.

Mr. Hughes will lead the UK and international banking and finance division previously run as separate sections.

Mr. Hughes, a former colleague of Mr. Gadd, will have responsibility for all sterling and eurocurrency lending, project financing and UK export credit business.

One of the aims of the restructured division will be developing corporate finance activities in the U.S. and Europe, which should produce spin-offs for the international capital markets division.

Mr. Gadd, a Swede, points to the possibilities of business with Scandinavia, where corporations not only raise large amounts of bank credit but also regularly tap the international bond markets.

Samuel Montagu's capital market plans are rather sketchy, but it is clear that the bank will seek to build on its experience with management of floating bank notes.

It is also expected to examine the possibilities offered by the expanded market for bulldog bonds—bond issues floated by foreign groups on the sterling market.

All these activities are expected to benefit from Samuel Montagu's membership of the Midland Bank group. There will be close co-operation with other entities of the group such as the German Trinkhaus und Burkhardt banking subsidiary, but no plans exist to merge the units.

The changes announced yesterday also involve creation of a third division, for loans administration and operation, to be headed by Mr. Kenneth Bennett, a long-standing director of Samuel Montagu.

Mr. Christopher Sheridan, head of the bank's dealing division, which incorporates its lucrative bullion market operations, is also made a managing director.

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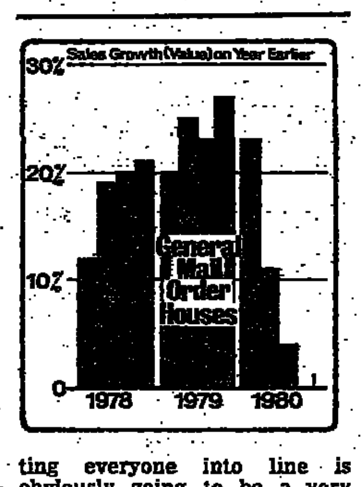
THE LEX COLUMN

Chrysler fights to hold the road

A fall in the U.S. money supply did the American bond market a power of good yesterday; in London, gilt-edged were quietly confident ahead of this afternoon's UK banking figures for the month to mid-December. The easing of dollar demand for sterling, which closed more than three cents above Friday's level at $2.4165. Overnight money in London was fairly tight as the tax-collecting season got under way, but longer rates were quite relaxed.

Index fell 2.4 to 472.9



Chrysler

A critical few weeks for Chrysler Corporation start today with meetings between Treasury officials and trade union representatives in Washington to discuss a wage freeze and the elimination of cost of living arjustments for all employees through to September 1982. Chrysler will be seeking other concessions in the near future from its banks and suppliers, with a view to making savings of $1bn or more during the next 20 months.

The outcome of these negotiations will help to determine whether Chrysler will succeed with its request to take up another $400m of federally backed loans, leaving it with just $300m still to draw down from the $1.5bn package approved by Congress last year and the group certainly needs the money. With losses put at around $200m in the final quarter of 1980, it has made it clear that it will be sorely embarrassed if it cannot get its hands on new funds by around the end of this month.

Under the terms of the Chrysler Loan Guarantee Act, the authorities must have a reasonable assurance that the group is in a viable condition before a guarantee is issued. Chrysler's shareholders' funds must by now have all but disappeared, and total borrowings probably exceed $3bn. Some analysts expect that it will make further substantial losses in 1981 as a result of high interest rates and the very disappointing reception of the K-car, on which so many hopes had been pinned.

The issue cannot be decided before the new administration takes office in a fortnight's time. Not all the foreign banks have yet received Chrysler's formal proposals for converting some $572m of debt into equity, in the form of preferred stock. They are in a dilemma. No one wants to be the first to break ranks, but security is obviously of vital interest. Getting everyone into line is obviously going to be a very big job.

The Reagan Administration will play a key role in the outcome of whatever happens in the next few weeks. But the political problem will not be solved simply by Chrysler securing its $400m. Unless interest rates fall sharply and quickly, it is possible that Chrysler could have run through the whole of the $1.5bn by late summer. At the very least, it would then be faced with the need for further radical surgery.

Grattan

Grattan Warehouses is to be congratulated on coming into the open and giving warning that it intends to cut its dividend. It is making it clear that it is finding trading considerably more difficult than most of its competitors. It is currently working a four-day week, and the volume of sales is probably down by about a fifth on this time last year. Meanwhile profits and cash flow are being shored up by measures that have a once-and-for-all effect and which could hurt future performance. Suppliers are unlikely to accept slower payment so resignedly when the economic climate improves, for instance, while some customers will be less than aprpeciative of the introduction of a £1 minimum weekly payment.

Against this background, there is likely to be little in the way of historic cost second-half profits and in current cost terms a loss for the year seems inevitable. The decision did not come as a complete surprise to the market, which marked down the shares only 6p to 60p.

So with stocks and debtors lower as the company reverses its 1979 dash for growth policy, debt has come back to more manageable levels. The company also receives a windfall of perhaps £5m in tax relief (not yet usable) from the proposed change in stock relief, rather than the looming possibility of clawback; while reverting to the original accounting for VAT ironically will improve profits in a year of falling debtors. But, whatever the cosmetics, no short-term solutions to the company's underlying problems—on the catalogue and distribution fronts—appear in sight.

Dalgety

The minority stakes in Spillers-French held by J. Lyons and the Co-operative Wholesale Society have not made much sense since Spillers pulled out of baking in 1977, and even less since Dalgety's takeover of Spillers. Neither Lyons nor the Co-op is keen to stump up the money that needs to be spent on the Spillers-French milling and animal-feed assets, so their stakes have been sold for just over £10m, largely satisfied by a vendor placing of 3.75m Dalgety shares at around 265p, 10p below the market price.

It is not yet clear what Dalgety intends to do with the milling business, which must be making a good return at the moment since UK wheat is in plentiful supply and the flour price was raised three times in 1979-80. But there was no increase last month when the bread price went up, and the future flour price level is more or less dependent on the policy of the market leader, Associated British Foods.

Spillers' contract to supply flour to ABF runs out in 1983, and this may persuade Dalgety to start slimming the business down. Spillers' experience as an independent company did not lend support to the view that profits could be maximised by chasing market share, and Dalgety's treatment of the Spillers' animal feed interests suggests that it is looking to shed unprofitable capacity pretty ruthlessly.

Yesterday's share placing seems to have gone off comfortably enough, even though Dalgety does not exactly keep its equity in short supply—rights issues and takeovers have nearly trebled the number of shares in issue in the last four years. The price relies heavily on the yield (11.9 per cent at 265p) for support, and it would be nice to see earnings performing before there is another rights issue.

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